pphe HOTEL GROUP

ANNUAL REPORT
AND ACCOUNTS 2020

DECISIVE ACTIONS AND MAINTAINING A LONG-TERM VIEW

art'otel PARK PLAZA ARENA HOTELS & APARTMENTS ARENA CAMPSITES

The results and commentary presented in this Annual Report reflect PPHE Hotel Group's performance over the last year. Since our 2019 report, **the whole world including our communities have been struck by the COVID-19 pandemic**, which has created huge disruption to most aspects of everyday life and **generated an understandable widespread effect on our market and industry.**[1]

We had a great start to the year but from March our operations were impacted by the pandemic, resulting in lockdowns and property closures. We had to take decisive actions to preserve cash and realign our operational structures. But throughout we have looked after our communities and **we were proud to help support key workers during these challenging times.**

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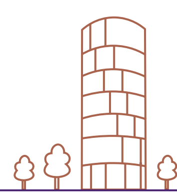
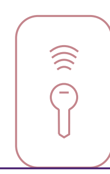
We are fully focused on **reassuring our guests, team members and local communities** of our **commitment** to upholding an even higher standard of cleanliness and wellness with **our new health and safety programme** following weeks of dedicated research, development and testing.[2]

We are pleased to have **secured funding to develop art'otel london hoxton,** located in one of **London's most exciting neighbourhoods**. This 27-storey building will include 343 hotel rooms and suites, five floors of office space, a gym, swimming pool and wellness facilities and an art gallery space. We have also strengthened our pipeline through acquisitions in Croatia and Serbia to expand our offer.[3]

We are committed to play our part to face up to and overcome the challenges ahead. Together we create a safe place to be and to enjoy.[4]





1. Read more about our response to COVID-19 on pages 10 and 11

2. Read more on our 'Reassuring Moments' programme on pages 22 and 23

3. Read more about Strengthening our long-term pipeline on pages 24 and 25

4. Read more on our road to recovery on pages 26 and 27

HIGHLIGHTS

Despite our strong start to the year, in which we had anticipated to benefit from our recently completed £100m property repositioning programme, 2020 will always be remembered for the pandemic. Our Board and Executive Leadership Team took decisive and swift actions to preserve the cash position of the Group, whilst retaining a long term view. As part of our 30-year track record we have managed through economic cycles and although the severity of the pandemic is unprecedented, our markets have previously proven to be resilient and we are ready for the recovery which we anticipate to build momentum in 2021. Our decisive actions have resulted in protecting the Group, whilst we have also been able to extend our future pipeline which is filled with great potential. We encourage readers of this report to review our responses to the pandemic and the progress made against our longer-term strategic agenda and priorities.

Financial KPIs

Total revenue	Normalised loss before tax
£101.8m	£89.8m

Adjusted EPRA EPS	Property Value
(123)p	£1.7bn

EBITDA	EPRA NRV per share
£(10.1)m	£22.08

Operating KPIs

Occupancy	Average room rate	RevPAR
28.0%	£105.1	£29.4

We create **memorable guest experiences** by **owning, developing** and **operating** hotels and resorts in **dynamic, vibrant** cities and leisure destinations. Our properties are managed by **experienced teams living our values every day, creating unique experiences**. We **create stakeholder value** at every step of the value chain as our properties provide **attractive returns and long-term capital appreciation.**

Our Strong Foundation

Full value chain approach

Value creation through development, repositioning, operations and brand ownership and access; resulting in a 30-year track record of NAV growth and industry-leading EBITDA margins

Diversified portfolio in key cities

New and renovated property portfolio of 46 prime assets in operation; consisting of hotels, resorts and campsites

Independent operator with brand flexibility

Integrated owner / operator model with access to brands, global distribution and marketing

Sources of funding

Asset backing used as source of funding and longstanding banking relationships

Planned capex in active pipeline of £200m+

Attractive projects in London, Pula, Zagreb and Belgrade

Track record of successfully managing through the cycles

Experienced developers and operators managing through economic cycles

UNDERSTANDING PPHE HOTEL GROUP

Our purpose

Creating valuable memories for our guests and value for our assets, people and local communities.

Who we are

We are an international hospitality group with a strong prime real estate portfolio consisting of 46 properties under operation in six countries, that transforms an asset's potential into value and profits.

What we do

We have a clear strategy to drive growth and create long-term value while recognising and developing opportunities to help our assets reach their full potential. We delight our guests every day, through engaging service and quality products in inviting places.

How we do it

By valuing our people, being led by an entrepreneurial Executive Leadership Team and through investing in our portfolio, opportunities with upside potential and local communities.

OPERATING ACROSS THE VALUE CHAIN

PPHE Hotel Group operates a highly differentiated business model to peers, who are increasingly focused on either the property or operational aspects of the hotel value chain. With in-house expertise across the value chain, PPHE is able to control all aspects of its guest offering, whilst retaining all of the economic upside. By contrast those offering either an asset-light or asset-heavy model relinquish some control of the guest experience as well as pay away fees to third parties.

PPHE HOTEL GROUP

0%

	Total value chain	Business model benefits	Shareholder value proposition	Typical asset-light model adopted by large hotel groups	Typical asset-heavy model
Site acquisition	✓	Secure best locations and control over all aspects of the hotel design	Value gains through development and repositioning		
Development/ repositioning	✓				
Hotel ownership	✓	Independence and control, no conflict of interest	Rental income and value appreciation		✓ Asset owned and leased to third party
Hotel operation	✓	Ensure consistency of brand standards and guest service levels are maintained throughout the estate	Net operating profit from rooms, food & beverage	✓ Asset operated under operational lease agreement	✓ Asset owned but managed by third party
Hotel management	✓		Fee-based income as a % of revenue and profit		✓ Management agreement to earn a fee based income as a % of revenue and profit
Brand	✓			✓ Franchise agreement (or the usage of a brand, income as a % of revenue)	
Asset management	✓	Optimise timing to refurbish and reposition	Value gains		
Extracting value	✓	(Re) finance with asset backing to extract value	Source for funding future growth		✓ Sale of asset
Reinvestment/ cash recycling	✓	Re-invest extracted cash to enable further growth			

100%

BUSINESS MODEL

At PPHE Hotel Group, we are focused on creating value for stakeholders through developing, owning and operating hospitality real estate with upside potential.

We own or co-own most of our portfolio and our proven business model is centred around delivering asset value appreciation, generating attractive operating returns and creating valuable memories for our guests. We are proud of our track record.

Our experienced senior leadership team identifies and acquires properties which we believe have significant upside potential. We then embark on transforming these assets through (re)developing redesigning and continuously improving operating performance through our in-house management platform, and in doing so create significant value along every part of the value chain. Through refinancing our properties, we are able to release capital for new investments, enabling further sustainable growth.

For more see business model on page 20

Prime locations

Well-maintained, prime assets, with proximity to major demand generators within leading capital cities, urban markets and resort destinations.

Park Plaza Westminster Bridge London
Opposite Big Ben on the thriving South Bank
1,019 rooms

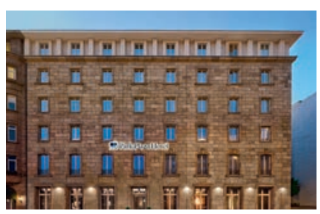
Park Plaza London Waterloo
Close proximity to Waterloo Station
494 rooms

Park Plaza London Riverbank
Between Waterloo Station and Nine Elms/ American Embassy
646 rooms

Holmes Hotel London
On Chiltern Street, close to Marylebone Village, Marylebone Station and Baker Street Station
118 rooms

Park Plaza Victoria Amsterdam
Opposite Amsterdam Central Station
298 rooms

art'otel amsterdam
Opposite Amsterdam Central Station
107 rooms

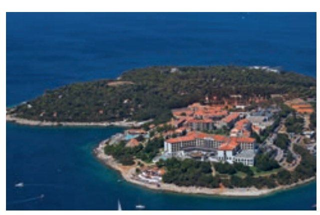


Park Plaza Nuremberg
Opposite Nuremberg's main railway station
177 rooms

art'otel cologne
Located in the attractive Rheinauhafen area
218 rooms

Park Plaza Amsterdam Airport
Close proximity to Amsterdam Schiphol Airport
342 rooms

Park Plaza Belvedere Medulin
Iconic leisure and sports hotel
423 rooms

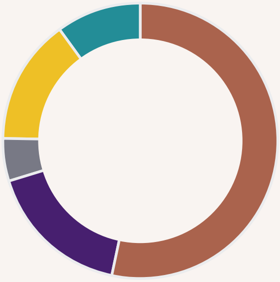


Park Plaza Histria Pula
Dramatic beachfront setting
369 rooms

Arena One 99
Croatia's first all-glamping offering
193 luxury tents

Value split by geography[1]

(Excludes managed, operated, leased, franchised and co-owned hotels)



£894m United Kingdom

£243m Croatia

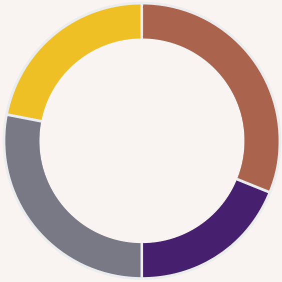
£280m The Netherlands

£166m Under development[2]

£87m Germany, Hungary and Serbia

Hotels and resorts by geography

(Includes franchises, excludes campsites and pipeline)



10 hotels **3,681** rooms United Kingdom

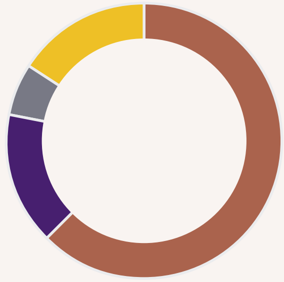
9 hotels **1,359** rooms Germany, Hungary and Serbia

6 hotels **1,073** rooms The Netherlands

7 hotels **6** resorts **2,769** rooms Croatia

Hotels and resorts by ownership type

(Includes franchises, excludes campsites and pipeline)



20 hotels **6** resorts **6,040** rooms Freehold

2 hotels **242** rooms Co-owned

5 hotels **1,590** rooms Long leasehold

5 hotels **1,010** rooms Managed, operated, leased or franchised

1 The fair values were determined on the basis of independent external valuations prepared in December 2020.
2 Properties under development include: New York, art'otel london hoxton (London), Westminster Bridge Road (London), Hotel Brioni (Pula) and Zagreb.

Independent hospitality real estate owner and operator with brand flexibility and access to global brands and distribution network
Within the Group we have the ability and flexibility to select the right brand to complement our hospitality assets. We have an exclusive and perpetual licence with Radisson Hotel Group to operate the upper upscale Park Plaza® brand in Europe, the Middle East and Africa which complements our wholly-owned upper upscale lifestyle brand, art'otel® and Arena Hotels & Apartments® and Arena Campsites® brands which are operated by Arena Hospitality Group, our Croatian listed subsidiary.

Radisson Hotel Group
Radisson Hotel Group has nine distinctive hotel brands with more than 1,400 hotels in operation and development in destinations across the globe. Its portfolio of hotel brands includes: Radisson Collection™, Radisson Blu®, Radisson®, Radisson RED®, Radisson Individuals, Park Plaza® and Park Inn® by Radisson®, Country Inn & Suites by Radisson and Prizeotel. Radisson Hotel Group is part of Jin Jiang and together they form the world's second largest hotel group in terms of rooms.

Central reservation and distribution system

Powerful online and mobile platforms

Radisson Rewards™ programme with 24 million members

Global sales, marketing and buying power

art'otel
art'otel is a contemporary collection of upper upscale lifestyle hotels that fuse exceptional architectural style with art-inspired interiors. Located in cosmopolitan centres across Europe, each hotel displays a collection of original works designed or acquired specifically for each art'otel, with each property offering a unique art gallery. art'otel has created a niche for itself in the hotel world, differentiating it from traditional hotels.

Art and culture are ingrained in every aspect of the art'otel brand. Knowledgeable and passionate team members share their enthusiasm while simultaneously delivering world-class service, creating a superior guest experience.

art'otel has three exciting new projects in the development pipeline. Two are in London, with one hotel set to open in Hoxton and one as part of the Battersea Power Station development, and a third in New York City, USA.

Park Plaza
Park Plaza is an upper upscale contemporary hotel brand featuring individually designed hotels in vibrant city-centre locations and select resort destinations. The Park Plaza brand is renowned for creating memorable moments through inspiring service, stylish guestrooms and versatile meeting facilities, which are complemented by award-winning restaurants and bars. Our portfolio of vibrant city-centre hotels and tranquil beachside resorts in Croatia already presents a wide choice of locations and accommodation, and we are committed, with our partner Radisson Hotel Group, to bringing Park Plaza to even more locations.

Arena Hospitality Group
Our subsidiary Arena Hospitality Group (Arena) is a leading dynamic hospitality group in Central and Eastern Europe.

Arena Hotels & Apartments
A collection of hotels and self-catering apartment complexes offering relaxed and comfortable accommodation within beachfront locations across the historical settings of Pula and Medulin in Istria, Croatia.

Arena Campsites
Situated close to the historical towns of Pula and Medulin, each campsite provides a relaxed environment from which guests can experience Istria's areas of natural beauty and enjoy outdoor activities from April to October. Each campsite provides a distinctive offering, from traditional camping to a luxury 'glamping' offer.

A thirty-year track record

Eli Papouchado
Chairman

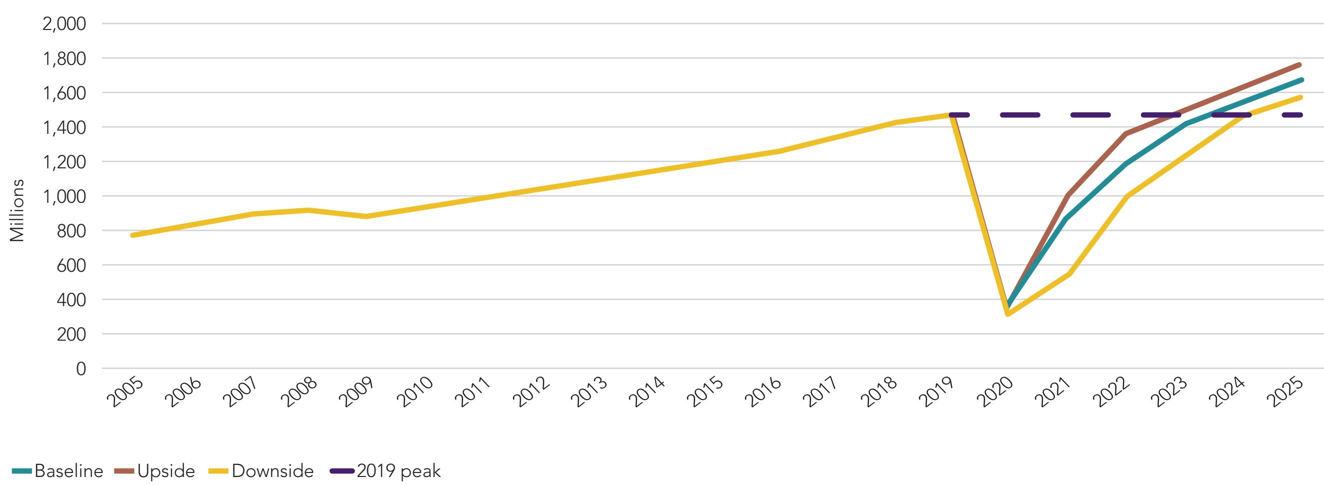
Our resilient model

2020 will always be remembered as the year in which the COVID-19 pandemic impacted the world, its citizens and the global economies. Notwithstanding the major challenges this presented, our long-term development ambitions remain strong. Transforming properties and spaces and evolving our product offering to remain current and responsive to our markets has always been at the centre of our success. The strength and value driven from our repositioning programme is a testament to how well our hospitality offering satisfies the needs and trend appetites of the market at any given time. Our development goals, our drivers and our reliable success in developing and repositioning properties and spaces remained untouched by the many forces that otherwise tore through society and markets in 2020. With the obvious external macro challenges we consistently monitor our development projects and adapt where deemed appropriate. During 2020, we continued to progress several development projects and, as we discuss throughout the report, the business has expanded and diversified its approach to development.

We were able to progress with several developments and acquisitions through securing new funds or using resources earmarked specifically for such investments.

Following the successes of 2019, the Group was progressing with the continued aim of delivering another year of record growth. We were set to progress against our strategic objectives and drive value for stakeholders through our existing prime property portfolio and strong development pipeline. However, the past year has brought change and challenge unlike

Inbound arrivals by scenario, 2005–25, World



(e) Estimate.
* Data for 2020 is preliminary and based on estimates for countries which have not yet reported results.
Source: World Tourism Organization, January 2021.

anything I have ever witnessed during my decades-long career. As the co-founder of a hospitality business, but also as a global citizen and a member of many communities and groups professionally and personally, I am humbled by the challenges and struggles faced by many in 2020.

This is my 31st year paving the path of our Group's growth and it has been without a doubt the most testing year. We could not control whether the pandemic impacted our business, but we were able to control the damage caused and are focussed in our swift and healthy recovery. As Chairman of the Group, I focus this statement on the steps taken in 2020 to chart the way toward an eventful and expeditious recovery and leave the reader to see, please see the financial review on page 44, how our inherent tenacity and ability to make good decisions without delay, carried us through 2020.

The Group has a strong 30-year track record of navigating markets and economic cycles, and this experience stood us in good stead in the face of the unprecedented disruption caused by the onset of COVID-19 and provided us with a strong and resilient foundation from which to steer the business through the challenges presented by the pandemic.

It is during these difficult months that our unique owner and operator model – which enables the Group to maximise revenue, drive value through its assets and provides the asset backing for financial flexibility – has shown its adaptability and strength. This model, together with our committed and experienced team and well-invested property portfolio, positions us well to benefit from the market recovery as a sense of normality resumes. We were encouraged to see that several of our properties outperformed the market during the year despite the challenges we faced, which is testament to the quality and attractive locations of our assets and the hard work of our teams.

Unfortunately the Group had to undertake fundamental changes to its' workforce by reducing work hours and, unavoidably, through forgoing contract renewals and redundancies. We would like to thank all past and present staff for their hard work and commitment.

Responsible business

We aim to play a critical role in the communities where we operate. The 2020 year saw our communities hit by the devastation of the pandemic. This crisis underscored the key role that we as community members can play in helping to fill the gaps in support and care, caused by the pandemic. As a business, we are proud of the vital role our team members played in addressing local community needs by leveraging their skills, hospitable expertise and our collective resources.

For more information on our Responsible Business programme, please see page 72

Governance and Board changes

The governance programme has continued to evolve with the 2020 year, and in some ways benefited from the tests presented by the diverse and unanticipated business changes felt in 2020. In keeping with our Board succession plans, the 2020 year provided the opportunity to diversify our Board by integrating new Non-Executive Directors, whose varied skills, background and interests facilitated the continued evolution and growth of our governance programme. This was further enhanced by the changes our Nomination Committee Chairman, Kenneth Bradley, implemented with regard to our approach toward nominations and induction programmes for new Board Members.

We were delighted to welcome Nigel Keen as an independent Non-Executive Director on 20 February 2020. Nigel's wealth of property experience will be invaluable as the Group's property capability and development pipeline grows. Nigel sits on the Audit, Remuneration and Nomination Committee.

We also welcomed Stephanie Coxon to the Board as an independent Non-Executive Director on 7 August. Stephanie's strong capital markets expertise, spanning more than 15 years, will be invaluable as we continue to address the unprecedented impact of the COVID-19 pandemic and support our long-term growth in exploring new development opportunities. Stephanie sits on the Audit, Remuneration and Nomination Committees.

Dividend

In March, the Board took the decision to withdraw its proposed 2019 final dividend payment to shareholders to enhance financial flexibility. Due to the ongoing uncertainty regarding restrictions on international travel, the Board continued to take a prudent approach to cash conservation and did not propose an interim or final dividend for the 2020 financial year.

The Board will continue to review the Group's dividend policy and will resume dividend payments when it is deemed appropriate.

For further details on dividend please see the Financial Review on page 44

Looking ahead

After years of negotiations, the UK Government and the European Union finalised their new partnership agreement at the end of December, marking the end of the Brexit transition period. The main areas of impact for our Group of this new partnership are expected to be centred around employment and the delivery of food, drinks and products. Since the outcome of the Brexit referendum, our teams have been very proactive to mitigate the potential risks where possible and we have taken many steps to improve our employer value proposition and conducted a full supply chain analysis. However, the full economic impact of this new partnership is yet unclear and is currently masked by the pandemic.

2020 was truly the year of adversity for the hospitality industry, but both adversity and challenge bring opportunities to improve, strengthen and ultimately, succeed. Through cycles of challenge and opportunity the sector has time and again demonstrated its ability to bounce back. The European travel market, the largest in the world, has delivered sustained growth* for more than 70 years, despite cycles of downturns and upticks.

As the COVID-19 vaccines are rolled out, borders reopen and restrictions are eased, we expect to see a phased recovery.

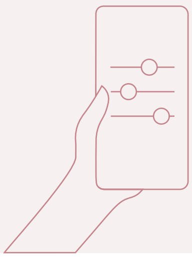
Our owner operator model, well-invested portfolio and strong development pipeline means PPHE Hotel Group is well-placed to benefit from the market recovery and to capitalise on future opportunity in line with our growth strategy.

* Source: UN World Tourism Organisation, World Tourism Barometer 2019.

Papouchado

Eli Papouchado
Chairman

How we have navigated through the pandemic in 2020



MARCH – MAY

Sudden impact and decisive decisions

On 30 January, the World Health Organization declared the COVID-19 outbreak a global health emergency and it declared a pandemic on 11 March. By 20 April, 100% of worldwide travel destinations had introduced travel restrictions. Global travel came to a halt and our Board and Executive Leadership Teams focused on managing this crisis situation.

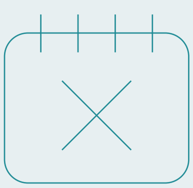
End of summer

- Early September was the transition point from the leisure to business travel season
- Started to experience the return of some government and corporate demand
- Weekend leisure demand holding strong
- Hosted small and medium sized events
- Restaurants and bars started trading
- However, due to increased infection rates, several markets started to reinforce further restrictions

Reopening and peak

- Started reopening with restrictions
- Ramping up to peak leisure months of July-August
- Built base quickly, with market outperformance at flagship hotels
- Demand driven by last minute, domestic leisure and from neighbouring countries
- Younger than usual guest demographics
- Health and safety protocols part of booking decision-making process
- Contactless Services introduced

A challenging end to the year, but optimism boosted by start of vaccinations and pent up demand for travel and hospitality



MID SEPTEMBER – DECEMBER

Demand severely reduced due to stricter measures, tier systems and (partial) lockdowns

The last quarter is best described as highly volatile due to extensive and frequent changes in government measures and policies in all of our operating markets. Including further lockdowns, restrictions and mandated property closures. Booking trends for our main operating regions for the Christmas holiday period were very encouraging but unfortunately this didn't materialise due to the government measures introduced.

Sudden impact of pandemic

- International and domestic travel came to a halt
- Unprecedented cancellations and rebookings
- Mandated lockdowns and property closures
- Selected properties remained open to accommodate essential workers
- Occupancy bottomed out in April

Decisive actions

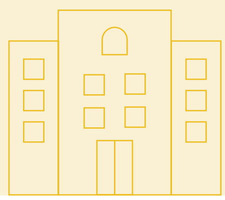
- Activated business continuity plans enabling head office and support teams to work from home
- Executed profit protection plans to preserve cash and secured debt covenant waivers and new loan facilities
- Developed 'Reassuring Moments' health & safety programme and protocols
- Utilised all available government support schemes
- Developed takeaway and delivery options for selected restaurants
- Prepared operational and commercial plans for reopening
- Accelerated technology initiatives to provide guests with Contactless Services
- Restructuring progress to ensure the Group's operational structure is aligned with guest demand for the short and medium term

LATE MAY – EARLY SEPTEMBER

Reopening and market outperformance during summer at flagship hotels

At the end of May, restrictions started easing in some of our markets and approximately 84% of our portfolio had reopened by July. Demand was predominately last minute and leisure-focused, from domestic markets and neighbouring countries. Our flagship hotels significantly outperformed their markets during the summer.

A much welcomed reopening and experienced an immediate return of demand



A volatile year end

- Encouraging bookings forecasts for Christmas holidays period
- However, new international, domestic and local measures were introduced to combat the new rise in infections
- Quarantine measures, travel guidance and other measures continue to negatively impact performance

But well prepared, ready and filled with optimism

- However, most properties stayed open to maintain a heartbeat within the estate and allow a rapid recovery when measures are lifted
- Cost base significantly reduced to minimise losses
- Start of vaccination programmes in several of our operating regions

Well positioned to benefit from market recovery

Boris Ivesha
President & Chief Executive Officer

As we entered 2020, the Group was well positioned for future growth following completion in 2019 of our multi-year £100 million plus investment programme, coupled with a strong pipeline of planned developments. However, the COVID-19 pandemic brought unprecedented challenges unlike anything the hospitality industry has experienced before. In the face of these difficulties, the Group has been resilient and has proven its ability to adapt to the ever-changing market conditions underpinned by its well-invested portfolio, flexible owner operator model and broad customer appeal.

2020 at a glance

Many hotels of the Group outperformed the market in January and February prior to the onset of COVID-19. However, from early March to May the pandemic unmistakably impacted operations. International and domestic travel came to a halt and the whole hospitality industry saw an unprecedented level of cancellations and re-bookings. Governments across Europe implemented extensive public health measures including lockdowns and property closures to restrict the movement of people. Consequently, most of our properties were closed for the months of April, May and June, with only a small number of properties remaining open to support key workers, such as medical personnel at nearby hospitals.

The Board and Executive Leadership Team took swift and decisive actions. We activated our business continuity plans enabling our corporate and regional office teams to work remotely. We prepared operational and commercials plans so we were ready to reopen properties when safe to do so. At the forefront of our plans was the safety and well-being of our team members and guests. We developed third party accredited health and safety programmes and protocols; 'Reassuring Moments' by Park Plaza and 'be bold. be creative. be safe' by art'otel. At selected restaurants, we developed takeaway and delivery options and various technology initiatives across our hotels were accelerated to provide guests with a contactless experience where desired.

To preserve cash and reduce costs and overheads, we secured additional new funding, we reduced payroll costs through utilising government job retention schemes available to the business across its operating markets, reduced employee working hours, implemented voluntary salary reductions and – as a last resort – restructurings and forgoing contract renewals. We utilised the business rates holiday in the UK and liaised with landlords on our rent arrangements. Shareholder dividends were withdrawn.

Full details of the liquidity and cash flow measures taken are set out in the Financial Review on pages 44–57

Holmes Hotel London

From late May as restrictions were eased in some of our markets, we began to reopen properties with new protocols in place, and operations increased for the peak leisure months of July and August. By July, 84% of operations had resumed. Nevertheless, restaurants, bars, leisure and events facilities remained severely limited or closed in a number of our properties. Bookings during this period were dominated by domestic leisure stays and demand from neighbouring countries, with high occupancy on weekends, often with short-lead time bookings. Our flagship, well-invested city centre properties benefited from this trend, outperforming the market in the third quarter. Nevertheless, curbs on international travel and social distancing meant that RevPAR and occupancy remained subdued compared with the same period last year.

Early September is typically the transition point from leisure to business travel and the fourth quarter is usually the busy quarter for meetings and events. Whilst we saw some return of government and corporate demand and some small and medium sized events, activity remained subdued, although weekend leisure demand held strong. Restaurants and bars started trading again.

However, by mid-September demand was once again severely impacted as infection rates increased across Europe and stricter measures, lockdowns, travel restrictions and quarantine measures were reintroduced in all our key and secondary markets.

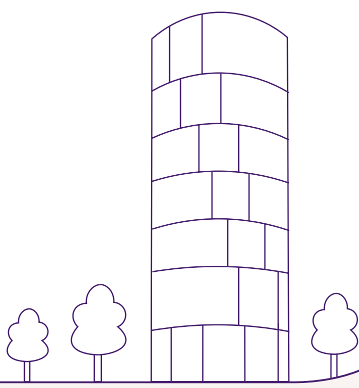
November and December were particularly challenging months again with further lockdowns and increased tier restrictions, eradicating all demand for the remainder of the year. However, most of our hotels remained open to allow us to respond and recover quickly when measures are lifted. Having taken many actions to significantly realign our operations to demand, we were able to minimise losses in the fourth quarter.

Financial performance

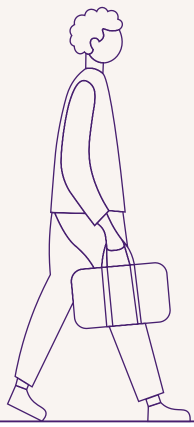
The overall financial performance in the year was significantly impacted by the dramatic downturn in activity from March onwards. Reported total revenue declined by 71.5% to £101.8 million (2019: £357.7 million) and EBITDA fell to £(10.1) million (2019: £122.9 million), resulting in an EBITDA margin of (9.9)%.

The key operating metrics were severely impacted by property closures and reduced capacity across the Group's operations. RevPAR was down by 71.6% to £29.4, reflecting unprecedented low levels of occupancy of 28.0%, compared with 80.6% in 2019 and an 18.2% reduction in average room rate to £105.1 (2019: £128.5).

As a result of the decisive COVID-19 actions taken, the Group finished the year in a strong financial position with a total consolidated cash balance of £114.2 million at 31 December 2020. During this period, the health and safety of team members, and all stakeholders was prioritised with the utmost importance.



art'otel london hoxton
For more see page 24



The annual independent revaluation exercise on our operational property assets was carried out by Savills and ZANE and valued our portfolio at £1.7 billion (as at 31 December 2020). EPRA NRV per share decreased by 14.8% to £22.08 per share (as at 31 December 2020). The adjusted EPRA earnings per share were down to (123) pence (2019: 128 pence).

Full details of the financial performance are set out in the Financial Review on pages 44–57

Strategic process

We continued to make strategic progress despite the disruption caused by the pandemic. The Board takes a long-term view, and our owner operator business model gives us full control over the scope and phasing of investment projects and our development pipeline. This enabled us to evaluate and prioritise pipeline projects in the current environment.

Our largest development project is art'otel london hoxton. In April, in the midst of the pandemic, we secured £180 million of funding and construction of this mixed-use development is underway and will span multiple years. The hotel is expected to open in 2024. This new facility also 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. We took the decision to pause our development project in New York City, which is earmarked for an art'otel. Construction of art'otel london battersea power station progressed to plan and this hotel will be operated by the Group under a management agreement when it opens in 2022.

During the year, the Group secured planning permission to develop a 29,000 square metre mixed-use scheme, including a 465-key hotel, adjacent to our Park Plaza London Park Royal property. In 2012, the Group acquired a significant site opposite Park Royal London Underground Station, providing easy access to central London and Heathrow, for £7 million. It subsequently developed Park Plaza London Park Royal, which opened in 2017, using approximately only one third of the overall site. The additional land is earmarked for light industrial use and the Group has now successfully secured planning to develop a contemporary select service hotel, allowing for differentiation and creating further value for the Group.

Through our Croatian subsidiary Arena Hospitality Group d.d. we continued to invest in Central and Eastern Europe. In Croatia, committed investment projects at Arena Grand Kažela Medulin and Arena Verudela Beach Apartments in Pula were completed, and work continued on the approximately £30.9 million investment to reposition Hotel Brioni Pula.

art'otel london hoxton development

Arena Verudela Beach Pula

Reassuring Moments
For more see pages 22–23

"The safety and well-being of our people continued to be key priority and in the current environment more important than ever."

The acquisition of Guest House Riviera Pula completed and plans to develop and then operate (under a 45-year lease agreement) a 115-room hotel in Zagreb moved forward.

Further details on our progress are set out on pages 24–25, in the business review on pages 60–67, and in the Financial Review on pages 44–57

Radisson Hotel Group Partnership

Since 2002, PPHE Hotel Group has benefited from an exclusive perpetual licence from Radisson Hotel Group ("Radisson"), giving it the rights to develop and operate Park Plaza branded hotels and resorts in Europe, the Middle East and Africa. Radisson is part of the world's second largest hotel group by number of rooms. This strategic partnership gives the Group access to Radisson's central reservation and global distribution systems, its powerful online and mobile platforms, global sales and marketing capabilities, as well as its loyalty programmes with more than 24 million members. These benefits are also extended to the Group's wholly owned art'otel brand.

Radisson continued to progress its multi-million-dollar technology investment programme which will transform, for all hotels on its reservations system, the core booking, selling and marketing capabilities. We anticipate that our hotels will start benefiting from this transformation from mid-2021. Furthermore, there has been continued investment to improve the radissonhotels.com multi-brand platform.

Our people and values

Our people and our values of Trust, Respect, Teamwork, Enthusiasm, Commitment and Care are at the heart of everything that we do, whether managing our hospitality assets or delivering consistent operational excellence across our portfolio.

We are proud to create a high performing culture, cultivated by our leadership team. This approach, with backing of our bespoke learning and development programmes, supports our delivery of best-in-class operations and high quality service to create memorable experiences for guests.

Experienced Leadership Team

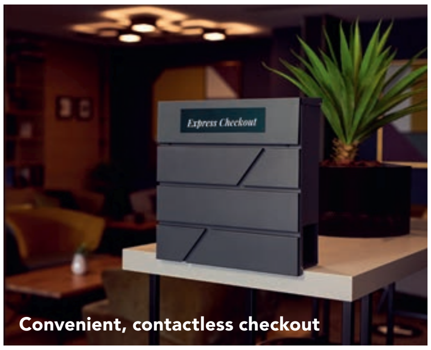
We have a highly experienced Executive Leadership Team. These talented individuals have decades of experience and an impressive track record in the hospitality real estate industry. They drive the corporate vision and long-term strategy for the Group.

As part of the Company's ongoing succession planning programme, two senior company executives were promoted to key leadership positions in January 2020. Greg Hegarty was promoted to Deputy Chief Executive & Chief Operating Officer, taking on new responsibilities alongside his existing COO role. Inbar Zilberman was promoted to Chief Corporate & Legal Officer, driving forward the Group's corporate initiatives, including acquisitions and expansion, corporate governance and corporate social responsibility, alongside her existing leadership of the Group's legal and compliance functions.

Our team members

We aim to create an inclusive, open and fun working environment where our team members feel supported, motivated and empowered. The safety and well-being of our people continued to be key priority and in the current environment more important than ever. We adapted the way we communicate with our team members to ensure we maintained strong engagement with all our team members. We launched new internal communications initiatives and 'staying connected' newsletters. These weekly communications include video interviews with senior leadership, business updates, mental health guidance, self-learning initiatives and advice on best practice ways to work from home. For operational team members, we provided personal protective equipment and we introduced temperature and symptom checks when team members report to work.

Reassuring Moments check-in



Convenient, contactless checkout

The significantly lower consumer demand enforced property closes and reduced capacity had a direct impact on our team members across the business. Where possible, colleagues worked remotely. We utilised, and continue to access, job retention schemes available across our markets. Nonetheless, the prolonged disruption meant we had to take the difficult decision to reduce payroll costs, restructure our operations to ensure they were fit for purpose, and align them to guest demand for the short and medium term. As a result, we significantly restructured our hotel and corporate and regional workforces.

2020 was a difficult year for everyone and we are proud of the way our teams responded and adapted to the ever-changing market dynamics. On behalf of the Board, I would like to thank both present and past team members for their commitment, professionalism and hard work throughout these unprecedented times.

Supporting the safety of our guests

Our dedicated team members are at the forefront of creating memorable experiences to all our guests, underpinned by our high quality and well-invested portfolio of properties.

When our properties re-opened, we launched our 'Reassuring Moments' and 'be bold. be creative. be safe' guest safety and well-being programmes across all Park Plaza and art'otel hotels. The programmes are designed to uphold enhanced and rigorous safety standards and provide effective and transparent communications to team members and guests about our health and safety procedures. The programmes include updates to operating procedures, training programmes, social distancing protocols, enhanced and high frequency cleaning with disinfectant and sanitising chemicals, with a greater focus on high touch areas, improved air circulation and air purification and sanitising stations to name but a few.

The Group also implemented a new 20-step protocol for hotels and a 10-step protocol for meeting and events operations in partnership with Radisson Hotel Group and SGS, a leading inspection, verification, testing and certification company. All our Park Plaza and art'otel hotels have received SGS accreditation.

We understand the important role that technology plays in our guests' overall experience. The roll out of initiatives such as Contactless Services were accelerated as we adapted our service offer to reduce person-to-person contact. Contactless Services available through a dedicated Park Plaza App include online check-in prior to arrival or self check-in on arrival, digital room keys via smartphone, contactless payment options, new messaging options for guests such as a real time messaging through chat or WhatsApp and online ordering of room service. Guests also receive a pre-arrival email with ancillary services to personalise their stays, including room upgrades, early check-in and late check-outs, breakfast and dinner options or special amenities. We also introduced a new in-room entertainment system across our hotels, enabling guests to play their own content on the Smart TVs through Chromecast (i.e. Netflix). We will continue implementing, and expanding upon, these solutions throughout our portfolio in 2021.

Community engagement

We remain committed to being part of and making a positive contribution to the communities in which we operate. Below is an overview of some of our activity during the year, particularly in response to the pandemic.

Among other initiatives, our team members focused on how we could provide service, resources and stewardship to those in our community who were most in need. We continued our partnership with Oasis Academy on London's South Bank to provide fresh delivered meals to underprivileged school children as well as those most in need within the local community, by cooking, preparing and delivering meals from Park Plaza Westminster Bridge London.

In Croatia, our teams prepared packed lunches for Pula General Hospital personnel, and provided equipment and hands on support for local partners, including those working in the hospital.

In Germany, we continued to support our local communities tableware donations to a local day care centre and offering conference rooms free of charge and donations to the worldwide relief agency – Malteser International.

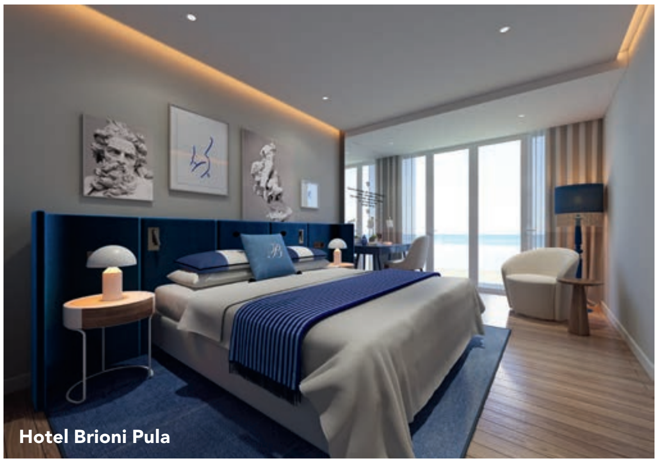
In the early days of the pandemic, our own Board took the decision to forgo their own fees to support Hospitality Action, a charity that supports hospitality sector employees.

Further details of our Responsible Business Section are set out on pages 72–81

Looking ahead

Looking ahead, our flexible owner operator model means we are well placed to benefit from a recovery when it comes. We anticipate there will be a phased recovery across the travel and hospitality sector. This will be kick started through the continued roll-out of the COVID-19 vaccines and we expect occupancy levels to recover initially, followed by room rates as consumer confidence returns.

In the first phase of recovery, hotel room demand is likely to continue to be predominately domestic leisure travel as local lockdown measures are gradually eased. In phase two, as a further easing of global measures occurs, we anticipate an increase in international travel and the gradual return of corporate business from small and medium sized domestic organisations, and medium scale meetings and events. The third phase will be the return to normal and stabilised trading environments, where large scale, international events are permitted, such as sporting events, large scale meetings and events and travel by international and large corporates.



Hotel Brioni Pula

At each phase of recovery, our high quality portfolio of newly refurbished properties, in superb locations will be extremely well placed to benefit. Our full value chain approach enables us to rapidly adapt our offer between guest segments and scale our offer to respond to demand. We have a strong development pipeline and have full control to prioritise and assess projects as we see fit.

Boris Ivesha
President &
Chief Executive Officer

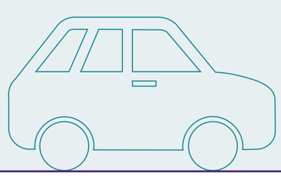
AN INTERNATIONAL HOSPITALITY REAL ESTATE GROUP IN A CHANGING CLIMATE

1

Domestic and regional city breaks and staycations

As a result of travel restrictions, quarantine measures and varying infection rates by country, consumers have favoured domestic travel and regional travel over international travel. Domestic travel has grown substantially and is expected to remain strong whilst countries manage through the pandemic and roll out their vaccination programmes. Consumers have embraced travelling by car and trains, versus flying.

At PPHE Hotel Group, we are fortunate that the domestic and surrounding markets were already our strongest markets for our properties in the UK, the Netherlands and Germany. For example, in July and August 2020, when lockdowns and travel restrictions were eased, domestic travel accounted for almost 90% of room revenue in the UK, 76% in Germany and in the Netherlands 84% of room revenue was either domestic or from bordering countries. Our properties are typically located in very close proximity to main train stations and in city centre locations, ensuring easy access, nearby parking and in walking distance to the main sights and attractions in our markets. Croatia benefits from being predominantly a car destination, with the majority of guests travelling independently by car from Germany, Italy, Austria, Slovenia and the Netherlands to name but a few.

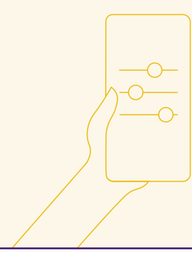


2

Digitalisation is making things easier

The pandemic has accelerated digital transformation across many sectors, including hospitality. Many consumers want to minimise contact and interactions and self-manage and personalise their stay.

We have also brought forward many of our planned initiatives and have developed and launched Contactless Services across our property portfolio. Contactless Services is a full suite of technology solutions, aimed to reduce guest and team member interactions and provide a 24/7 service to our guests to personalise and manage their stays. Our current offering includes: Online check-in, contactless payments, guest messaging with our guest services teams, live chat with our reservations teams, online ordering of food and drink and a bespoke Services App which integrates all solutions. In 2021 we are planning to introduce online check out, self check in and more.



3

Younger age demographics

Another emerging trend experienced by hospitality is the younger guest demographics of travellers. With the health risks for this group less significant than older generations, access to discretionary spend and the desire for unique experiences, guest demographics have changed considerably, at least for the short term. More mature travellers and retirees are expected to return once the vaccination programmes are more advanced.

We have also experienced a younger than usual guest profile and have tailored some of our procedures, payment types and our messaging, communications and promotions accordingly. Additionally, we have also introduced additional family rooms and rooms for friends travelling together.

4

Health and Safety protocols and accreditation part of the decision-making

Health and safety measures have become a much more important factor in travel buying decisions. Consumers want to be reassured that travel providers and hospitality have taken all necessary precautions, ensuring their safety and wellbeing. This is where larger hotel groups and brands may have an edge over independent operations, due to significant amount of time and funds required for research, planning, implementation and constant monitoring and evolution.

We have always had very high health, safety and security standards and protocols, ensuring we provide safe and clean places to stay for our guests and work at for our team members. However, in response to the pandemic we developed extensive new protocols and measures, which have been externally accredited by SGS – the world's leading company in this area. Our Reassuring Moments by Park Plaza programme has been developed by our senior team, working alongside experts from the NHS, SGS, Radisson Hotel Group and Clifton and this programme ensures safety and peace of mind from check-in to check-out.

5

Supporting our communities

With the pandemic impacting many sectors, from retail, to health care, from hospitality and travel to the arts and culture sector, people have really gained a real appreciation for their local communities. There have been countless great initiatives which were introduced to support local companies, organisations, charity and volunteer work and to simply be nice neighbours and look out for one another.

Our Responsible Business programme is designed around three pillars: People, Planet and Places and our community focused activities are considered part of the Places pillar. Our properties are typically located in the heart of city centres or in resort locations in Croatia and each has played its own role during the pandemic. Our support activities have included for example providing shelter to victims of the earthquake in Croatia, to accommodating key workers, volunteer charity lunches for Christmas, donating food and drinks to underprivileged families and temporary event space for schools.

6

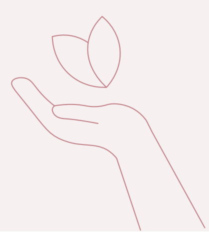
Sustainability and climate change

Maintaining an exacting watch over the ecosystem in which we operate is an integral element of our business model.

We build, develop and create experiences throughout our properties. Whether in our capacity as an operator, owner-operator, or owner-operator and developer of our properties, we are empowered to create a profitable business which positively impacts the world around us. We are uniquely positioned when it comes to integrating sustainability into our business, starting from the point of development all the way to day-to-day operations. This, in turn, enables us to deliver long-term value for all our stakeholders and long-term profitability.

2020 saw the completion of various investment projects aimed at improving our energy performance, reducing water usage, waste and resource consumption and supporting biodiversity. Amongst them were new boilers, air-cooling systems, laundry machines, water efficient shower heads and more. Our impact was further mitigated by a number of operational policies and measures, both existing and newly introduced. Several of our properties were also re-certified in accordance with internationally recognised standards.

For more information, please see Our Planet section on pages 78–81



OUR PURPOSE

Our purpose
Creating valuable memories for our guests and value for our assets, people and local communities.

Who we are
We are an international hospitality real estate group, with a prime property portfolio consisting of 46 properties in operation in six countries, that transforms an asset's potential into value and profits.

What we do
We have a clear strategy to drive growth and create long-term value while recognising and developing opportunities to help our assets reach their full potential. We delight our guests every day, through engaging service and quality products in inviting places.

How we do it
By valuing our people, being led by an entrepreneurial Executive Leadership Team and through investing in our portfolio, opportunities with upside potential and local communities.

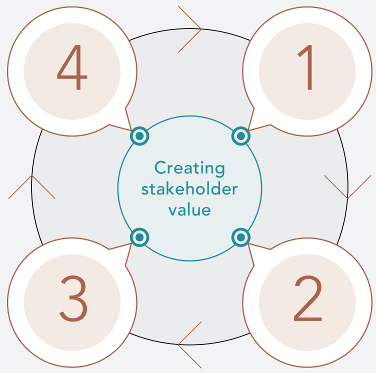
Key sources of value

- Prime property portfolio
- In-house management platform
- Our people
- Multi-brand approach
- International network
- Financial strength

OUR BUSINESS MODEL

Read more – page 6

Our integrated model has driven significant value.



1 We purchase
We typically acquire properties which we believe have significant upside potential

2 We develop
We (re)develop and redesign our acquired assets, drawing on the skills of our experienced senior management team, with specialists in every relevant discipline

3 We brand properties and improve operating performance
We brand properties and strive for operational excellence, creating significant value at every point in the value chain

4 We (re)finance to fund further investments
Through refinancing our properties, we are able to release capital for new investments, enabling the further growth of our Group

STRATEGIC AGENDA

Read more – pages 28–30

We have a clear strategy to drive growth and long-term value.

Property
- Disciplined, focused capital deployment
- Optimise the value of the existing portfolio
- Extract value from portfolio to fund further growth
- Pursue growth opportunities to drive long-term value
- Continue to diversify our asset portfolio in different segments of the hospitality industry

Operations
- Consistently deliver the refreshed intended guest experience across our properties
- Maintain high operating margins
- Leverage our scale and inter-regional synergies
- Further investment in art'otel brand in preparation for new openings and future pipeline

Underpinned by our people, values and culture

The Group's leadership culture is one of connecting, inspiring, innovating and empowering, and we foster an environment based on:

STRATEGIC PRIORITIES

Read more – pages 28–30

Our focused approach will ensure that we deliver on our strategy.

Property
Continuously drive pipeline projects and assess projects in line with market demand
Deploy capital in projects and new properties meeting our yield profile
Reopen hotels when markets stabilise and continue to optimise asset values through extensions, repositioning and alternative use of spaces
Extend pipeline by securing properties with joint venture partners and further targeting management agreements
Pursue future growth across different geographies, market segments and brands

Operations
Align and further develop our organisational structures in line with demand and market conditions
Develop a high performing culture, where engaged teams are empowered to create valuable memories for our guests and value for our assets
Improve the overall guest experience through creating valuable memories
Focus on total revenue generation with solid profit conversion, benefiting from the new Group operating structure
Maintain and continue to evolve our Reassuring Moments programme (COVID-19 health & safety protocols) for guests and team members, including innovative technologies, testing and Contactless Services

PERFORMANCE MANAGEMENT

Read more – pages 42–43

Our KPIs and targets.

Property
EPRA NRV
EPRA EPS
Net investment yield
Net return on shareholder capital

Operations
EBITDA and EBITDA margin
RevPAR
Employee engagement
Guest Rating Score (GRS™)
Health & Safety assessment scores

Trust Respect Teamwork Enthusiasm Commitment Care

THE VALUE WE CREATE FOR OUR STAKEHOLDERS

Read more – pages 68–71

Team members
We offer rewarding international employment opportunities for our team members with continuous investment in training programmes.

Guests
We offer memorable hospitality experiences in vibrant destinations with our high quality products and services.

Investors
Our shareholders benefit from the attractive industry dynamics of the markets in which we operate as well as our flexible business model, developments and operating skills, in the form of progressive dividend payments.

Local communities
We care about our neighbourhoods and make positive contributions to our local communities and the people who work and/or live there through fundraising activities, employment opportunities, volunteering and local resourcing partnerships and charities.

Affiliates
Our partnership with Radisson Hotel Group gives us access to global distribution systems, powerful online and mobile platforms and global sales, marketing and buying power.

Suppliers
As an owner/operator, long-term sustainability and ethical operations are high on our agenda including supply chain management and the development of long-term relationships with strategic partners, many of whom are local.

Reassuring Moments

Ensuring the health and safety of our team members and guests has always been our number one priority. At the onset of the pandemic, we recognised the importance of reviewing all our procedures, services and amenities offered, cleaning products used and third party relationships to name but a few areas. We instantly created a dedicated task force to ensure all of these areas were thoroughly reviewed in light of the new risks associated with COVID-19.

We have introduced temperature and symptom checks

> "Our **Reassuring Moments Programme** is in place to create the **confidence** and **freedom** to enjoy the **comfort of our hospitality** and the fun and **excitement of travel.**"

Greg Hegarty, Deputy Chief Executive Officer & Chief Operating Officer

Our team collaborated with experts from the NHS, SGS (the world's leading inspection, verification, testing and certification company), Radisson Hotel Group and several other third parties, to develop a robust new set of standards and protocols, which also incorporated all relevant guidelines from the World Health Organization and national and local authorities.

Following several weeks of research, development and testing, we created and launched Reassuring Moments by Park Plaza (and be bold. be creative. be safe by art'otel). Our work has been accredited by SGS and our owned/managed properties in the United Kingdom have obtained additional accreditation from the AA, MIA and VisitBritain

The Reassuring Moments programme consists of a 20-step protocol for the overall hotel and an additional 10-step protocol for meetings and events hosted by us. The programme leverages expert advice, global health recommendations, bespoke technologies and innovative procedures to both enhance the safety and well-being protocols within our hotels and empower our team members to support and care for our guests in light of the COVID-19 pandemic.

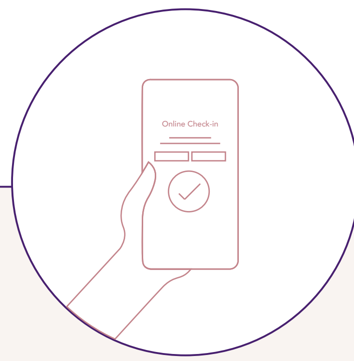
Upon entering the hotels and through all communal areas, guests are asked to comply with social distancing in line with government guidance. Sanitising stations have been installed near the front entrances and throughout all public spaces. Guests will see that screens are in place at all check in, concierge and host desks, whilst cashless and contactless payment options are encouraged to further minimise contact.

RADISSON HOTELS
Safety Protocol
In partnership with
SGS

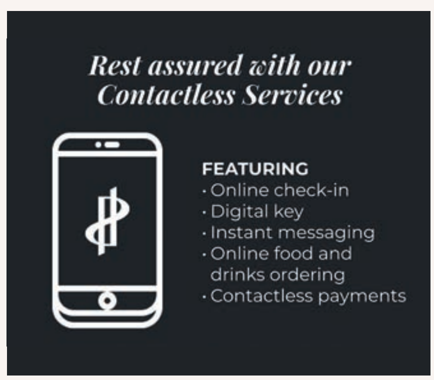
Our work has been accredited by SGS, the world's leading inspection, verification, testing and certification company.

Technologies are also on offer to provide services like 'express' no-contact check-in, to ask questions or to order room service. Each hotel room is fully cleaned with updated disinfectant and sanitising products, and each room's furnishings have been adapted to facilitate the higher frequency and intensity of cleaning, with even greater focus on high touch areas. Systems have been updated to improve air circulation and air purification. In the morning, customers will be able to enjoy breakfast either through in-room dining or the convenient grab-and-go options. All team members are provided with personal protective equipment, and we have introduced temperature and symptom checks when team members report to work. These measures ensure we are offering our team members a safe environment where they can feel confident that their health is well considered.

A key part of our programme are our Contactless Services solutions, through which we minimise guest and team member interaction and enable our guests to self-manage their stays. Our new offering includes Online check-in, mobile key access (whereby guests can use their personal phone as door key), contactless payments, guest messaging options via WhatsApp and web chat, online ordering of food and drinks and live chat options online.



Our new offering includes Online check-in and mobile key access



"We have been working with **top experts** and are using **new technologies** to ensure the continued **safety and well-being** of our **team members and guests.**"

Greg Hegarty, Deputy Chief Executive Officer & Chief Operating Officer

Strengthening our long-term pipeline


art'otel london hoxton artist impression

Our pipeline contains several exciting projects which will deliver future value to our stakeholders. During 2020, we strategically advanced many projects and strengthened our future pipeline and we are pleased with the progress made.

Property construction

Our wholly-owned flagship art'otel development is well underway in London's vibrant Hoxton area, which has seen significant investment in regeneration in recent years.

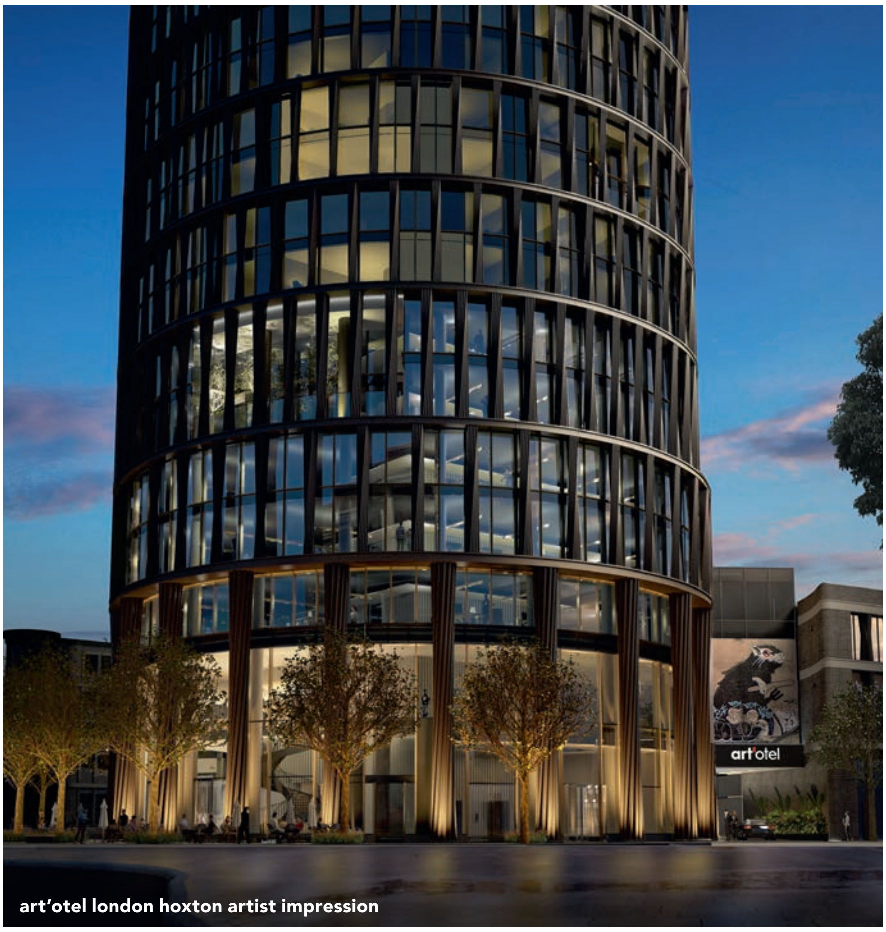
art'otel london hoxton, expected to open in 2024, is our mixed-use scheme which will bring the contemporary upper upscale lifestyle art'otel brand to the area. During 2020, we secured a £180 million construction facility to develop the scheme and construction is now well underway with the substructure work nearly completed. Two pieces of Banksy artwork, which were on site, have been preserved. Our property will consist of 27 floors, comprising 343 hotel rooms including (60 long-stay apartments) and five floors of office space of approximately 5,900 square metres. The space will also comprise an 80-seat ground floor restaurant, a bar, gym facilities and flexible meetings and events space which will be spread across two floors and offer breathtaking views of East London. Located on the 25th floor will be a bar and restaurant with access to seven terraces. The amenities will also include a gym for guests and members. In keeping with the art'otel brand, the hotel will feature a fully accessible art gallery which will bring contemporary as well as traditional art to the local community, and a VIP cinema space for conferences, corporate events and private hire. We are currently in discussions with a number of artists regarding partnerships for the hotel.

Expected to open in 2022, the **art'otel london battersea power station** is one of two exciting art'otels coming to London over the next few years. Positioned in the heart of one of London's best-known regeneration schemes, it will be a vibrant area with restaurants, bars and good transport links. Our wholly-owned lifestyle art'otel™ brand fuses art and life and will offer guests a sensational hotel experience spanning art galleries, a skyline restaurant and a stunning rooftop swimming pool with Power Station views. The 164 room hotel is being developed by the Battersea Power Station Development Company. The hotel will be managed by the Group on completion.

In light of the capital outlay required to drive our **art'otel development in New York City** forward, we have decided to temporarily halt this project until the market stabilises.

The Group also owns **two sites in London,** both with significant development potential. In December 2020, we were pleased to receive planning permission to develop a 29,000 square metre mixed-use scheme, including a 465 key hotel, adjacent to our Park Plaza London Park Royal. A second site is owned by the Group on Westminster Bridge Road in London (in close proximity to Park Plaza London Waterloo) in respect of which the Group has submitted a planning application for a 186 key hotel and office space.


art'otel london hoxton artist impression



art'otel london hoxton artist impression

Property conversion

In January 2020, our Croatian subsidiary entered into a 45-year lease for the development and operation of a branded hotel in **Zagreb, Croatia.** During the year, we applied for planning permission to convert the property into a 115-room hotel which was granted in early 2021. This hotel will be located in an iconic building in a prime location in the heart of Croatia's capital.

Property repositioning

We delivered two committed repositioning programmes during 2020, which included the second and final phase of investment in **Arena Grand Kažela Medulin Campsite,** where we added an additional 45 new premium mobile homes and upgraded several bar and leisure areas. In addition, **Arena Verudela Beach Resort Pula** was repositioned following the upgrade of 146 self-catering apartments and refurbishment of several restaurants and investment in the general infrastructure.

In April 2020, an agreement was entered into with the Republic of Croatia for the purchase of the **Guest House Hotel Riviera in Pula**, which has already been managed by the Group for several decades. This acquisition will enable us to reposition the historic property into a premium branded hotel consisting of approximately 80 rooms in the centre of Pula, Croatia.

We are particularly excited about the progress made with the repositioning of **Hotel Brioni Pula in Croatia**. In December 2020, we secured a loan facility of approximately €24 million (£21.5 million) to further fund the repositioning and this property is expected to reopen ahead of the 2021 summer season. The property will be restored to its former standing as one of the premier upper upscale hotels on the Adriatic Coast and, once complete, will offer 227 premium rooms over seven floors with three indoor and outdoor pools, an extensive wellness centre with saunas and relaxation rooms, a gym, kids' playground, several restaurants and bars and meeting and event facilities.

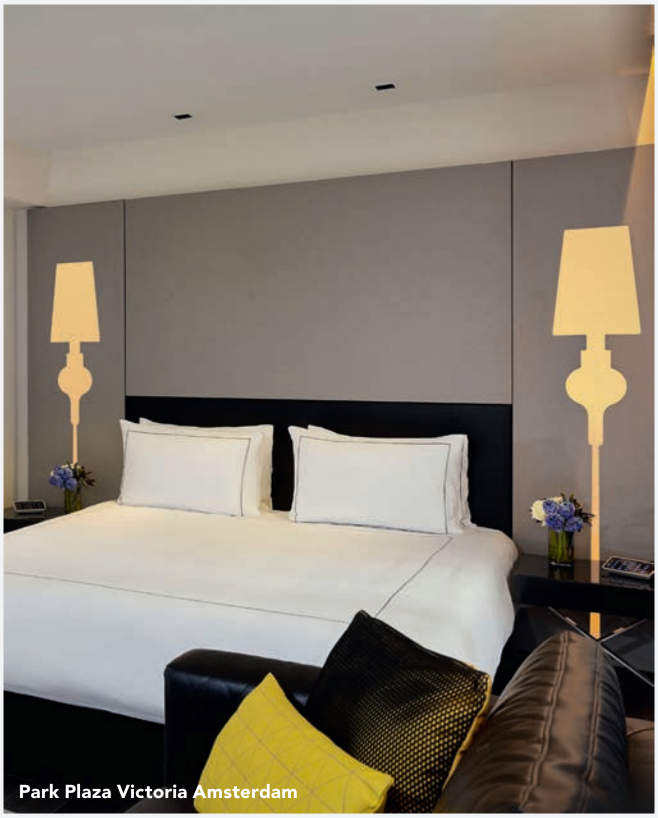
In December 2020, we completed the acquisition of the **88 Rooms Hotel in Belgrade**, Serbia. The Group intends to invest in the property and reposition and relaunch the hotel in the course of 2021. The hotel is located minutes away from the Serbian capital's historic old town and marked the Group's entry into a new territory.

art'otel budapest is expected to undergo a light refurbishment of the public areas and guestrooms.

Our road to recovery

At PPHE Hotel Group we believe of the travel and tourism sectors will start to recover as soon as the vaccinations have their desired effects and measures are eased across our markets. Removal of measures will lead to the return of domestic leisure and restaurant, bar and small meetings bookings first and, with time progressing, the reopening of international markets and the return of business travel, large events and ultimately group travel.

Following the 2020 lockdowns, we experienced favourable booking trends as soon as measures were eased and we are confident we will see a similar trend in 2021, potentially even resulting in a strong summer driven by staycations. Our recently completed property repositioning programme, our prime locations, excellent guest reviews and strong revenue management discipline all give us comfort for the recovery ahead.



Park Plaza Victoria Amsterdam

2021 AND BEYOND

Vaccination programmes are well underway in all our operating regions

Q1 2021

Expected to remain relatively slow due to restrictions

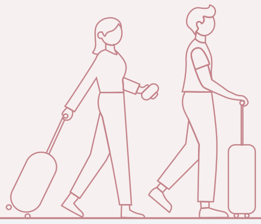
Q2 2021

Expected to mark the return of travel, with demand growing gradually as time progresses

ANTICIPATED RECOVERY PHASES

PHASE 1

Some of the measures eased, not all international markets yet open



Demand to gradually return as domestic markets open:

Hotel room demand to be predominantly domestic from:
- Leisure market (focused on weekends and school holiday periods)
- Government and key sectors such as education and health care
- Business travel from Small and Medium sized Enterprises (SME) segment
- Construction projects-related
- Demand for small to medium size meetings
- Demand for restaurants and bars

PHASE 2

Further measures are eased, international markets reopen

Phase one travel demand is extended with:

- The addition of demand from neighbouring countries (driving distance and short haul)
- Leisure – domestic leisure and interregional leisure
- Business travel from SME segment plus return of travel demand from some of the larger corporate companies

PHASE 3

Measures are eased, markets are open and ramp up to full recovery

Phase two travel demanded is extended with:

- Demand from international markets including long haul
- International business travel from large corporate companies
- Demand for large meetings and events, including international trade fairs
- Sports and city-wide events
- Return of international leisure groups

Strategic progress in 2020

The Group's long-term strategy to generate value for its stakeholders remains in force, further building on its successful track record of over 30 years. However, in 2020 the Group has had to refocus and reprioritise to manage through the pandemic and safeguard the Group's future. Many industries were significantly impacted by the pandemic and the hospitality and travel sectors were particularly impacted.

The Group faced an unprecedented economic downturn, with country lockdowns, travel restrictions and severe health and safety risks. As a result, the Group's debt service covenants (which are income based) were at risk of being breached and the Company suddenly faced a cash burn scenario. The Group has taken decisive and swift actions which included, among many others, protecting its cash position, property closures and restructuring of its workforce all with a view to manage the short-to-medium-term impact.

Nevertheless, the longer-term position for the Group was enhanced with the progression of several development projects and acquisitions extending its pipeline and securing loans. Looking ahead, the Group will continue to use an agile approach, ensuring it adequately adapts to the rapid changes in market conditions and capitalise on opportunities presented by the pandemic.

PRIMARY SHORT-TERM STRATEGIC PRIORITIES

Strategic priority			
Manage balance sheet risks and protect the cash position	**Adjust organisation to macro-economic environment**	**Protect our stakeholders**	**Prepare for the recovery**
Performance in the year			
– Cash flow protection plans implemented including withdrawn dividend payments, agreed amortisation waivers with banks and voluntary salary reductions of Senior Management – Debt covenant waivers agreed with all lenders until 2022 – Liaised with landlords on our rent arrangements – Secured new facilities on the back of our strong balance sheet pre-COVID-19, to provide the Company with cash in this period – CAPEX reduced to essential repairs only (the Group's portfolio was recently refurbished) – Renegotiated the majority of the Group's fixed cost base – Pipeline projects reviewed and progressed those where funding was secured, certain projects temporarily paused – All government support that was available during this pandemic has been utilised – Restructured organisation in line with severely reduced demand and to reduce payroll costs	– Business continuity plans activated – Created homeworking solutions for corporate and regional support team members – Stringent health and safety protocols introduced – Team members seconded to the NHS – Introduced weekly communications with leadership interviews to maintain engagement and provide insights and transparency – Executive Leadership Team joined virtual Town Hall meetings for Q&A – Mental health trainings developed and procured – Introduced engagement pulse survey to gauge team members' concerns and needs – Launched 'recreate and reconnect' training programmes, to re-engage team members when lockdowns were removed	– Developed and implemented robust new health, safety and well-being protocols in collaboration with the NHS, Clifton, SGS and Radisson Hotel Group – Provided reassurance to guests and team members by communicating new protocols proactively as 'Reassuring Moments' by Park Plaza and 'be bold. be creative. be safe.' by art'otel – Proactively engaged with our supplier base and partners	– Accelerated technology projects by developing and introducing 'Full Contactless Services' to minimise interaction between guests and team members – Contactless Services includes Online check-in, room key enabled on mobile devices, contactless payment, instant messaging, live chat, online ordering of food and drinks – Launched tactical promotions strategy for an early summer re-opening following lockdown, leading to market outperformance in flagship hotels – Focused primarily on leisure segment, predominately domestic or from surrounding countries – Evolved products and services offering in line with changing customer expectations and behaviour – Maintained a highly adaptive approach to our products and services offering and guests and team member communications, adjusting to highly frequent changes in markets, measures and expectations

PROPERTY

Strategic priority			
Deliver all ongoing projects and existing pipeline	**Deploy capital in new properties meeting our yield profile**	**Mature recent openings and repositioned and renovated properties to generate a targeted cash return on EPRA NRV**	**Drive responsible business strategy**
Performance in the year			
The following committed projects were delivered in 2020: – Arena Grand Kažela Medulin; phase two of repositioning consisting of 45 new premium mobile homes and general upgrades; and – Arena Verudela Beach Pula; repositioning of 146 self-catering apartments. In addition, we continued with two developments and/or repositioning programmes for which we secured dedicated funding in 2020: – art'otel london hoxton; and – Hotel Brioni Pula. Works progressed at art'otel london battersea power station, which the Group will manage on completion (expected 2022). The Group has temporarily paused the development of the site earmarked for an art'otel in New York City.	Several acquisitions were completed during the period including, with each property representing significant repositioning potential: – a long lease interest in an iconic property located in the city centre of Zagreb, Croatia's, was entered into. Planning has since been secured to convert this property into a 115 room hotel; – acquired Guest House Hotel Riviera Pula in Croatia. This striking property is located the city centre of Istria's largest city and has been under management for several decades. It offers significant repositioning potential and is expected to be converted into an 80 room premium hotel; – 2020 saw the completion of the acquisition of 88 Rooms Hotel in Belgrade, Serbia, minutes away from the historic city centre. This hotel offers repositioning potential and marks the entry into a new country for the Group; and – the planning application for a hotel development on Westminster Bridge Road in London has been submitted and the Group successfully secured planning permission to develop a 29,000 square metre mixed-use scheme including a hotel, adjacent to its Park Plaza London Park Royal property.	2020 was marked by lockdowns, tier restrictions and rapidly changing market conditions, which significantly impacted the Group's trading. However, the Group takes confidence from the strong demand it has experienced over the summer period when measures where eased and our flagship hotels outperformed their markets. The Group's properties are well located in central locations of resilient markets and the £100m+ repositioning programme completed late 2019, supported by strong guest review scores, provide a powerful underlying foundation.	We see our people, our places and our planet as our intangible sources of value. True to our values and purpose, we continue to drive our responsible business strategy as one of the key priorities. In 2020, we adapted the way we support, engage and communicate with our team members, continued to provide for our communities in the time of need and sustained our efforts to mitigate the climate change.
Performance management in normal market conditions			
– EPRA EPS – Net return on shareholder capital – Net return on EPRA NRV			
Risks linked to strategy			
– Adverse Economic Climate (page 35) – Funding and liquidity risk (page 35) – Development Projects – delays or unforeseen cost increases (page 36) Emerging (page 33): – New sustainability regulation / expectation impacting both operations and approach to future property development	– Adverse Economic Climate (page 35) – Funding and liquidity risk (page 35) – Development Projects – delays or unforeseen cost increases (page 36) Emerging (page 33): – New sustainability regulation / expectation impacting both operations and approach to future property development	– Market Dynamics (page 34) – Adverse Economic Climate (page 35) – Funding and liquidity risk (page 35)	– Market Dynamics (page 34) – Decline in employee engagement and difficulty in retaining and attracting talent (page 40) Emerging (page 33): – Transition to a low-carbon economy
Looking forward			
We will continue to drive the projects forward where funding has been secured and will continue to assess the most appropriate options for and phasing of our other pipeline projects. We will also continuously review the expected returns for projects currently on hold, given the change in market dynamics.	Given the significant cash burn throughout 2020, the Group will aim to restore its previously strong balance sheet. Our future pipeline is filled with potential and we will proceed those projects where funding has been secured and continue to assess the most appropriate options for, and phasing of, our other pipeline projects. This could include the consideration for alternative funding structures, joint venture partnerships, minority shares and asset-light growth opportunities.	We aim to reopen those hotels that are currently closed, subject to sufficient market stability and demand, and will maintain a highly agile approach for operational properties ensuring we capitalise on all revenue generating opportunities in the market. We will focus on protecting profitability whilst ramping up, maintaining efficiencies which were realised as part of our 2020 measures taken. This is expected to improve our profit conversion longer-term.	Our ambitions and commitments to operating responsibly remain as strong as ever and are firmly rooted in our DNA. Moving forward, our goals and progress will be reported extensively in the dedicated Responsible Business section of this report.

OPERATIONS

Strategy		
Develop a high performing culture where engaged teams are empowered to create valuable memories for our guests and value for our assets	**Improve the overall guest experience through creating valuable memories**	**Focus on total revenue generation with solid profit conversion**
Performance in the year		
We are grateful for the flexibility and commitment shown by our team members. The pandemic has brought many uncertainties and our operating teams continued to deliver exemplary service to our guests during these uncertain times, whilst adjusting to the changed environment and workplace. In addition, we have had team members seconded, on furlough or working from home for a large part of the year. Unfortunately, we have also had to rescind contracts and restructure certain parts of our organisation, resulting in redundancies. We launched several solutions which will help our recovery, including a bespoke web-based Learning Management System containing a range of training programmes and a new Careers website with an integrated Application Tracking System. Further details are reported above as part of the COVID-19 Strategic Priorities.	The Group's performance against this strategic priority was significantly impacted by the pandemic and its main progress is reported above as part of the COVID-19 Strategic Priorities. The Group has accelerated many technology initiatives during 2020, which are expected to provide permanent benefits to our guests and team members.	Similarly, revenue generation and profit conversion opportunities were severely impacted during 2020, with reduced and/or closed operations and measures in place for most of the year. However, we have focused on protecting cash, renegotiating supplier agreements, eliminating all non-essential expenditure and capitalising on revenue generating opportunities as and when they were available. Further details are reported above as part of the COVID-19 Strategic Priorities.
Performance management in normal market conditions		
– Employee engagement – Engagement survey participation ratio	– Guest Rating Score – Guest Surveys Score	– EBITDA and EBITDA margin – RevPAR – Total revenue
Risks linked to strategy		
– Market Dynamics (page 34) – Decline in employee engagement and difficulty in retaining and attracting talent (page 40) Emerging (page 33): – Decline in attractiveness of hospitality as a career and a decreased labour pool	– Market Dynamics (page 34) – Cyber Security Incident (page 36) – Data Privacy Breach (page 37) – Technology Resilience (page 37) – Operational Disruption (page 38) – Serious Health, Safety and Security Incidents (page 39) – Decline in employee engagement and difficulty in retaining and attracting talent (page 40)	– Market Dynamics (page 34) – Adverse Economic Climate (page 35) – Operational Disruption (page 38) – Decline in employee engagement and difficulty in retaining and attracting talent (page 40)
Looking forward		
In 2021, our activities will focus on supporting the Group in its recovery and reopening efforts. This includes the continuous alignment of organisational requirements with future demand levels. We will maintain a culture of flexibility, responding to changes in the market and adapt our policies and procedures accordingly. Additional key priorities for the year are resourcing and talent management, whilst continuously focusing on engagement and providing a safe workplace. A robust recruitment, re-engagement and training programme has been developed , including practical skills, managerial tools and recruitment activities. Mental health of our team members and retaining our strong Company culture and values remain high on our strategic agenda.	We will retain a highly adaptive and proactive approach, ensuring we constantly adjust our products and services offering in light of changing market conditions, restrictions and measures and guest expectations. We will continue our roll-out of our Contactless Services solutions introduced in 2020 and aim to introduce additional features such as: – Online check-out and self check-out: – a bespoke art'otel brand app; and – alternative payment methods. Following our successful centralisation of managing, and responding to, an approximate 74,000 guest reviews posted online annually in 2019, for our hotels in the UK and the Netherlands, we intend to centralise the management of 44,000 guest surveys per annum within the same team. This will provide us with highly valuable customer feedback enabling us to further improve our product and service offering.	We will continue to apply the learnings from 2020 and focus on generating top line revenues, whilst closely monitoring our cost base. The cost savings achieved in 2020 are expected to have a long-term benefit to the Group's overall profitability. We aim to continue to leverage our scale, centralised buying power and the use of technology and data and will continue to work alongside our strategic partner, the Radisson Hotel Group, to drive optimum commercial results for our properties.

OUR APPROACH TO RISK MANAGEMENT

Considerate and timely risk management is integral to managing and succeeding through turbulent times. The success of our re-launch of our Enterprise Risk Management ("ERM") programme in 2019, proved vital in our approach to managing the implications of the COVID-19 pandemic. Continuing on from the foundation built in 2019, risk management is now a mainstay in our leadership meeting agendas and is integrated into the strategy of each corporate function within the business. As the COVID-19 pandemic, and the methods employed by governments to reduce its spread, took hold of our industry, our Company was able to rely on the regular updates to our risk assessments to make swift and well-informed decisions.

The improved integration of risk management and routine assessments of risks within each corporate function allows us greater information at the leadership level to ensure each function remains alert and accountable to assess and report on risks on a regular basis, whether or not the risk profile of an area has changed. The risk information also drives the focus of our Internal Audit function.

This year the COVID-19 pandemic triggered or heightened many of our principal risks. The business spent the majority of 2020 in a crisis management situation, prioritising actions and risk responses which focused on protecting the safety and well-being of our team members and guests and the long-term stability of the business while maintaining the agility for decisive and swift action in the face of new opportunities.

Our risk-reward approach which demonstrates our appetite for taking appropriate levels of risk has also been dynamic as the strategic priorities of the Group have changed throughout the COVID-19 pandemic. The situation has challenged our stance on risk appetite and we have needed to adapt, sometimes accepting levels of risk exposure that we had previously seen as being beyond our appetite.

In 2021 we look to further embed our risk management activities within the strategic plans of each business function.

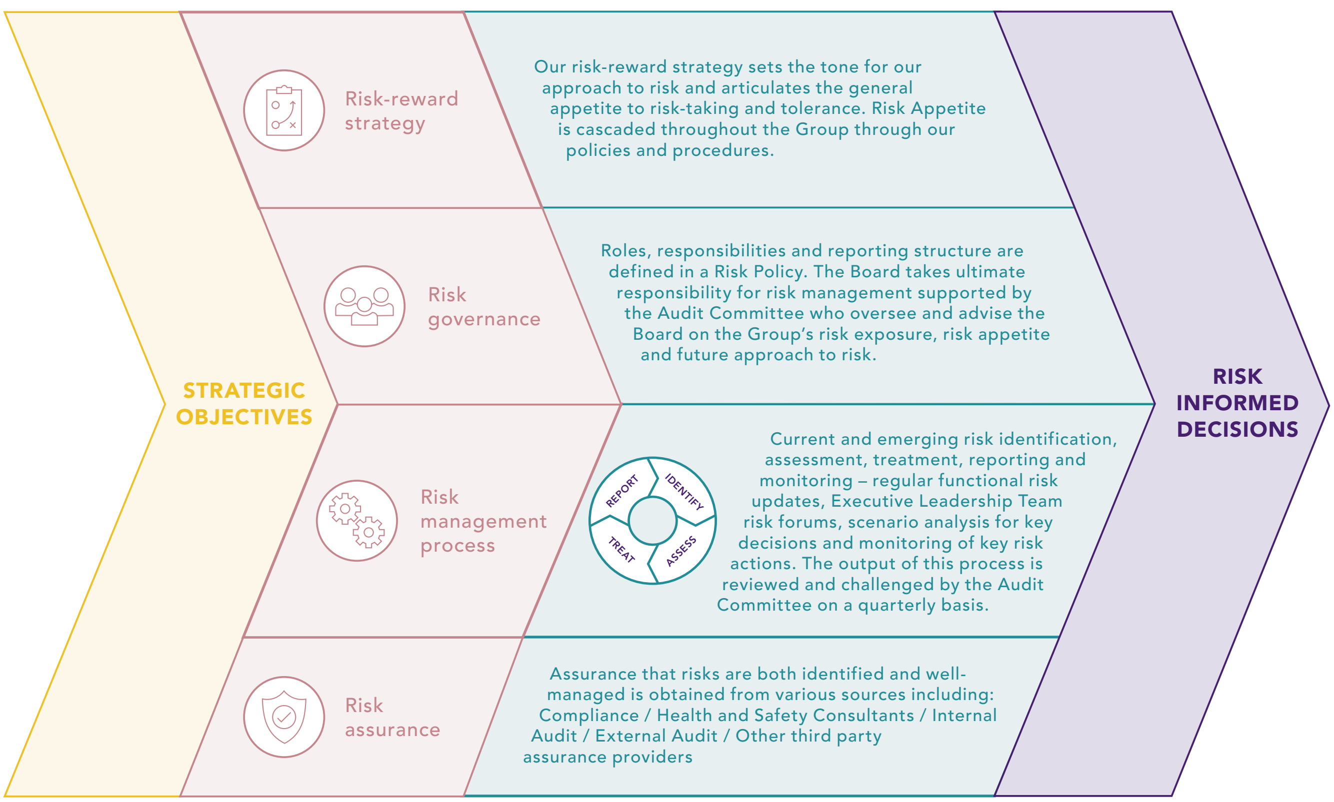
The lessons learned from the COVID-19 pandemic will also be valuable as will be the use of scenario analysis to better understand the impact of significant risk events across our principal areas of risk.

We continue to re-evaluate our risks frequently and look ahead to identify new threats that could emerge or long-term changes to existing areas of risk that are likely to become greater priorities following this prolonged period of disruption.

Our risk management framework

Our ERM framework supports the pursuit of our objectives through enabling informed and calculated risk-taking, while protecting our financial strength and reputation.

To deliver effective risk management our risk appetite is aligned to our strategic objectives. The framework defines clear accountabilities through our risk governance model and our risk management process.



OUR APPROACH TO RISK MANAGEMENT CONTINUED

OUR CHANGING RISK ENVIRONMENT AND THE IMPACT OF COVID-19

Response to COVID-19

The pandemic has had a profound effect on the hospitality sector and corporate meetings and events business. The spread of the virus heightened many of the key risks inherent to our business model.

The immediate impact of the COVID-19 pandemic was severe, with prolonged periods of enforced hotel closures, restricted capacities and travel restrictions, all of which required a fast and coordinated response. Given that our resilience has been tested to such an extreme we are pleased with the proactive nature of our risk response to protect the future prospects of the Group. Our established hotel lockdown procedures were implemented effectively and with the temporary closure of our corporate and regional offices, our remote working capabilities have also proven to be successful in continuing operations. We also met the challenge of operating within the new social distancing and health and safety requirements, which has included the rapid roll-out of technology to support a contactless guest experience.

The pressure that these immediate changes brought on cash flow and profitability called for crucial action, like delaying both capital and discretionary expenditure, agreeing debt covenant waivers with our existing lenders and securing additional facilities to aid liquidity. It has also been necessary to take difficult decisions, including significant restructuring and reduction in staff numbers.

Our responses to the risks heightened by the COVID-19 pandemic along with further planned mitigations are covered in more detail on pages 34-40.

2021 and beyond

As we look ahead to 2021 and beyond, our risk environment could see longer-term change, with the COVID-19 pandemic having potential consequences on global travel patterns for several years. The volatility of the long-term economic outlook is also a factor which could impact the speed of recovery and restrict the accessibility of finance to fund future opportunities for growth.

Our approach to risk and reward has needed to adapt across our business model:

1. We purchase

Our appetite for growth through the acquisition of new properties remains intact but could be restricted in the short term by insufficient capacity to fund such investments. We continue to ensure that the decisions we take are risk-informed and aligned with our strategic agenda of disciplined, focused capital deployment. When seeking new acquisition or development opportunities, we are willing to form new strategic partnerships or joint ventures, where we assess the benefits of the arrangement to be greater than the related risk.

2. We develop

Risks inherent to the delivery of major construction projects, repositioning and refurbishment projects are likely to be heightened in the short to mid-term with both the COVID-19 pandemic and Brexit impacting the cost of supply, working practices and project delivery. We accept and closely monitor these inherent risks as we view the delivery of new developments as fundamental to ensuring that we optimise the value of our portfolio and deliver long-term growth.

3. We brand properties and improve operating performance

Through our response to the COVID-19 pandemic we continue to demonstrate our zero tolerance approach for taking any actions which would increase our risk profile in respect of our guest and team member safety, our reputation, or our compliance with laws and regulations.

We continue to realise commercial benefits from the licence agreement with Radisson Hotel Group ("RHG") to operate or sub-license the Park Plaza® brand within the EMEA region. We take a diligent approach to working with third parties for core business activities where we perceive the benefits of such arrangements to far outweigh the related risks.

4. We (re)finance to fund further investments

It has been essential to adapt our approach and risk appetite in respect of financing in response to the impact of the COVID-19 pandemic. To secure our long-term future it has been necessary to accept levels of leverage beyond our previous appetite. We have also accepted greater risk by changing our approach towards ring-fencing loans, by taking up new Group facilities to support our operating entities.

For more information on funding, please see page 55

EMERGING RISK

Future threats that cannot be accurately assessed at the current time but could have a material impact on the business in the future are considered alongside existing risks with a view to improving our response plans and exploit potential opportunities.

Our view of emerging risk includes several trends which could form part of the legacy of the COVID-19 pandemic. In most cases these trends could heighten our existing principal risks. For example, a decline in the appeal of hospitality as a career choice would add to the challenge of retaining and attracting the talent needed to ensure we continue to consistently deliver the intended guest experience across our properties.

See page 40 for our planned response to this threat

The macroeconomic outlook could also see an increased threat of further disruption in the coming years, through social and political instability. We continue to build on the operational resilience shown throughout 2020 to ensure we can withstand any future threats.

Emerging trends can also present opportunity. We take a proactive approach to the changing market conditions and patterns in corporate travel and embrace digital change to ensure we continue to meet the expectations of our guests and corporate customers.

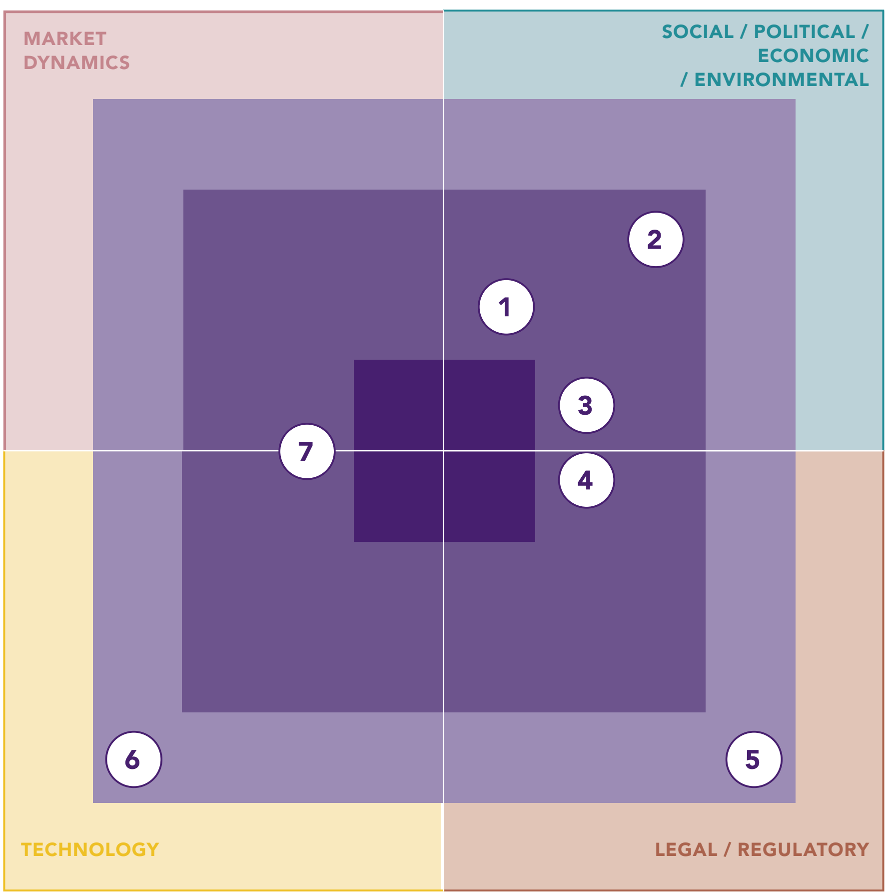
Climate change and the transition to a low carbon economy could present some of our most significant challenges and opportunities in the future. Government commitments to reduce the carbon emissions are expected to lead to further developments and changes in regulation across travel and tourism, construction and property management.

There is significant opportunity in addressing climate-related matters to meet guest expectations and secure the reputation of our brands in respect of their sustainability credentials.

See pages 72–81 for our approach to doing business responsibly and our impact on our communities and the environment

Time horizon

- Some impacts already seen/significant impact could be expected within two years
- Significant impact could be expected in two to five years



1. Decline in attractiveness of hospitality as a career and a decreased labour pool
2. Global or regional disruption through future pandemics, conflict or social unrest or environmental disasters
3. Transition to a low-carbon economy
4. New sustainability regulation / expectation impacting both operations and approach to future property developments
5. UK law divergence from EU law
6. Speed of digital change and increased prominence of Robotics and Artificial Intelligence in the service sector
7. New working arrangements and changing patterns in corporate travel and corporate meetings and events

OUR APPROACH TO RISK MANAGEMENT CONTINUED

Our risk priority is decided through an assessment of the likelihood of the risk and its impact should it materialise. Our assessments are weighted towards impact to encourage prioritisation of high impact risks. We have several areas of active risk, triggered by the COVID-19 pandemic, for which the response and oversight will continue to be our primary focus.

The table below details our principal risks and uncertainties for the year ahead. These are considered to be the most significant threats to the achievement of our objectives but are not an exhaustive list of all risks identified and monitored through our risk management process, which includes the consolidation of 10 underlying functional risk registers into the single view of risk reported to the Board.

Strategic Agenda references

1. Disciplined, focused capital deployment
2. Optimise the value of the existing portfolio
3. Extract value from portfolio to fund further growth
4. Pursue growth opportunities to drive long-term value
5. Continue to diversify our asset portfolio in different segments of the hospitality industry
6. Consistently deliver the refreshed intended guest experience across our properties
7. Maintain high operating margins
8. Leverage our scale and interregional synergies
9. Further investment in art'otel brand in preparation for new openings and future pipeline

↔ Unchanged from prior year
↑ Increased from prior year
↓ Reduced from prior year

MARKET AND MACRO ENVIRONMENT

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2021
Market Dynamics – Significant and prolonged decline in global travel and market demand The restricted market conditions during the COVID-19 pandemic and the associated decline in demand over a prolonged period has had a major impact on the hospitality industry as a whole. Revenue generation has been severely impacted with consumer confidence low and corporate budgets significantly reduced. A failure to adapt to changing guest expectations in respect of health & safety, technology, sustainability and service could threaten our ability to recover from the COVID-19 pandemic and grow market share. The recovery of international travel will be largely influenced by the speed and success of vaccination programmes across the world. In the short-term, a reliance on domestic travel to drive demand will continue. **Strategic objectives under threat:** 3 Extract value from portfolio to fund further growth 4 Pursue growth opportunities to drive long-term value 6 Consistently deliver the refreshed intended guest experience across our properties 7 Maintain high operating margins	Very High ↑	**Established Mitigating Controls** – Consistent brand standards applied across all hotels. – Close collaboration with Radisson Hotel Group. – Responsible Business strategy. – Monitoring and analytics of customer feedback to identify issues and improve operations. **Response to COVID-19** – Introduced COVID-19 Health & Safety standards through our 'Reassuring Moments' and 'be bold. be creative. be safe' programmes. – Achieved SGS accreditation for passing the Cleaning and Disinfection Pledge Assessment in all of our hotels. – Accelerated roll-out of technology improvements to introduce a contactless guest experience. – Targeted promotional activity and an aggressive pricing approach. – Adapted our service offering in line with governmental guidance including the introduction of takeaway and delivery options. – Modified operations at Park Plaza Westminster Bridge London to accommodate and support NHS frontline healthcare. **Outlook for 2021** The long-term impact of COVID-19 on global travel and hotel demand is uncertain, though we expect difficult market conditions throughout 2021. Actions to contain the impact of this risk include: – Commercial initiatives to identify and target opportunities for new contracted business. – Continued close monitoring of market conditions and pricing accordingly. – Marketing activity targeting the domestic market. – Continued roll-out of technology for the contactless guest experience. – Maintaining the highest standards for cleanliness and wellness through our advanced health and safety programmes, to boost consumer confidence.

MARKET AND MACRO ENVIRONMENT CONTINUED

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2021
Adverse Economic Climate Both COVID-19 and Brexit have increased macroeconomic volatility and the threat of a deeper and longer economic downturn in our regions. Increased national debt, coupled with falling domestic output, could be expected to impact future taxation and disposable income. Combined with the Market Dynamics risk, a prolonged economic downturn impacts our ability to protect revenue and profitability. Brexit has also led to volatility in the cost of supply and could impact the cost of labour in the UK, with new restrictions on European workers. **Strategic objectives under threat:** 4 Pursue growth opportunities to drive long-term value 7 Maintain high operating margins 8 Leverage our scale and interregional synergies	Very High ↑	**Established Mitigating Controls** – Cash preservation and scenario stress testing. – Profit protection plans (with operational impact assessed). – Budgetary control and frequent forecasting across all regions and property type. **Response to COVID-19** – Proactive measures to control costs during the period of forced hotel closures and reduce the cost profile of the business for the future. – Significant restructuring of the hotel and support teams to reduce the existing payroll cost base. – Fixed costs deferred and reduced wherever possible. – Regular open/closed scenario analysis to support informed decisions. **Outlook for 2021** Economic conditions are expected to be challenging throughout 2021. As the threat of adverse economic conditions cannot be prevented, our actions are focused on containing the impact on the business as much as possible. These include: – Further adapting the business model and centralising processes to reduce fixed costs. – Benchmarking and verifying market pricing in respect of our supply chain. – Monitoring changes in taxes.

FUNDING AND INVESTMENT

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2021
Funding and liquidity risk: including breach of debt covenants, inability to service existing debt and cash restrictions The risk of breaching debt covenants and liquidity concerns increased significantly this year with the sudden loss of revenue brought about by government travel restrictions and temporary hotel closures. The impact of failing to act and contain these threats during the COVID-19 pandemic and beyond would be severe, including an increased risk of cash traps being applied to hotel specific loans. **Strategic objectives under threat:** 1 Disciplined, focused capital deployment 3 Extract value from portfolio to fund further growth 4 Pursue growth opportunities to drive long-term value 9 Further investment in art'otel brand in preparation for new openings and future pipeline	Very High ↑	**Established Mitigating Controls** – Monthly forward covenant testing with sensitivity and stress modelling. – Robust treasury monitoring and reporting to the Board. **Response to COVID-19** – Actions taken to preserve cash and reduce costs, including use of government payroll support schemes across our regions, redundancies, salary reductions and salaries taken as share options. – Proactive and transparent relation with lenders. – Debt covenant waivers agreed with lenders to 2022. – Deferred amortisation payment schedules. – Daily cash monitoring. – Deferral of liabilities where possible. – New facilities signed to support Group cash and meet obligations. **Outlook for 2021** This risk will continue to be active throughout 2021. Actions will include: – Continued enhanced monitoring controls. – Use of Group funds to service debt and avoid cash trapping where possible. – Regular liaison with lenders. – Potential for securing alternative sources of finance.

OUR APPROACH TO RISK MANAGEMENT CONTINUED

FUNDING AND INVESTMENT CONTINUED

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2021

Development Projects – delays or unforeseen cost increases

Risk Priority: High

As we continue with significant development projects, we could experience delays, unforeseen increase in costs, disputes with contractors or inconsistent quality.

The long-term effects of the COVID-19 pandemic and Brexit include potential increases in material and labour costs, and new working practices impacting the timeline for project delivery.

Strategic objectives under threat:

2 Disciplined, focused capital deployment
3 Optimise the value of the existing portfolio

Established Mitigating Controls

– Fixed price agreement for the Group's key construction project.
– Senior leadership team oversight and close monitoring and support from our in-house Technical Services team.

Response to COVID-19

– Reassessment of pipeline projects and decisions taken to progress projects with secured funding and pausing others temporarily.

Outlook for 2021

The risk will be managed and contained throughout 2021 through:

– Continued close monitoring and executive oversight of our construction projects timelines and costs.
– Regular meetings with our key contractors to identify and tackle approaching issues which could impact the overall cost, targeted delivery schedule or the expected quality standards.

TECHNOLOGY AND INFORMATION SECURITY

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2021

Cyber Security Incident

Risk Priority: Very High

The Group could be subject to a serious cyber attack resulting in significant disruption to operations and financial loss from falling revenues, cost of recovery and significant fines in the event of a related data breach.

The presence of effective technical controls and team member awareness programmes remained essential this year, with corporate and regional teams switching to remote working and an increased threat from email phishing attacks.

Strategic objectives under threat:

6 Consistently deliver the refreshed intended guest experience across our properties
7 Maintain high operating margins

Established Mitigating Controls

– Email protection and end-point protection and detection controls.
– Network security systems.
– Virtual Private Network (VPN) connections for securing remote connections to the corporate network.
– IT security policies.
– Relocated core technology infrastructure to a third party secure data centre.
– Incident response plans.

Response to COVID-19

– Remote working awareness training rolled out.
– Phishing security tests performed.

Outlook for 2021

Cyber risk remains a significant priority for the business. Projects are ongoing to further strengthen the security of our IT infrastructure and improve employee awareness. Ongoing actions include:

– Continued roll-out of a Network Access Control Solution across all properties.
– Further roll-out of an Identity Access Management tool.
– Review and enhancement of physical security of hardware.
– Updated cyber security awareness online training.
– Third party cyber security testing.

Strategic Agenda references

1 Disciplined, focused capital deployment
2 Optimise the value of the existing portfolio
3 Extract value from portfolio to fund further growth
4 Pursue growth opportunities to drive long-term value
5 Continue to diversify our asset portfolio in different segments of the hospitality industry
6 Consistently deliver the refreshed intended guest experience across our properties
7 Maintain high operating margins
8 Leverage our scale and interregional synergies
9 Further investment in art'otel brand in preparation for new openings and future pipeline

Unchanged from prior year
Increased from prior year
Reduced from prior year

TECHNOLOGY AND INFORMATION SECURITY CONTINUED

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2021
Data Privacy Breach The Group could experience a serious data privacy breach which could result in ICO investigation, significant fines in accordance with the GDPR and subsequent reputational damage. Strategic objectives under threat: 6 Consistently deliver the refreshed intended guest experience across our properties 7 Maintain high operating margins	High Unchanged from prior year	**Established Mitigating Controls** – Information Security and Data Privacy policies. – Internal awareness communications and training. – Breach protocols, reporting hotlines for team members and incident response plans. – Use of third party experts for technical support when necessary. – Credit card tokenisation with the introduction of a new payment solution. **Outlook for 2021** This risk is inherently very high and will remain an area of focus in 2021. The various technology projects to improve data security coupled with initiatives to improve team member awareness should contain the risk and potentially reduce it. Ongoing action includes: – Further strengthening of internal communications for greater awareness. – Enhanced technology controls – see Cyber Security risk.
Technology Resilience A prolonged failure in our core technology infrastructure could present a significant threat to the continuation of our business operations, particularly where failures impact hotel management and reservation systems. Strategic objectives under threat: 6 Consistently deliver the refreshed intended guest experience across our properties 7 Maintain high operating margins	Medium Reduced from prior year	**Established Mitigating Controls** A significant project has been delivered in 2020 to reduce the threat to the resilience of our core technology. – Project completed to relocate our core technology infrastructure to a third party secure data centre and build redundancy to provide a robust back-up and recovery solution. **Outlook for 2021** The completion of the data centre project alongside other ongoing projects should see the risk of technology disruption reduce further in 2021. Ongoing actions include: – Testing the resilience of the new core infrastructure. – Continued roll-out of converged networks across our hotels.

OUR APPROACH TO RISK MANAGEMENT CONTINUED

SAFETY & CONTINUITY

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2021
Operational Disruption We could experience disruption to our operations from incidents at our hotels or in the immediate vicinity, for example floods, extreme weather, social unrest, terrorism. We would also be exposed to significant operational disruption from global events such as conflict, environmental disasters or future pandemics. Hotel closures and lockdowns in all of our regions during the COVID-19 pandemic have been an extreme test of our operational resilience and crisis plans. This risk remains active due to the dynamic nature of the pandemic and frequently changing government restrictions across our regions. **Strategic objectives under threat:** 2 Optimise the value of the existing portfolio 3 Extract value from portfolio to fund further growth 6 Consistently deliver the refreshed intended guest experience across our properties 7 Maintain high operating margins	Very High ↑	**Established Mitigating Controls** – Hotel lockdown procedures. – Hotel crisis plans including crisis communications. – Business Continuity Plans. – Contingency in place for critical supplies. **Response to COVID-19** – Cost control measures to reduce impact of closures and reduced capacity, including organisational restructuring. – Services adapted to continue operations where possible. – Remote working capabilities for corporate and regional teams, including Central Reservations and Customer Support. – Close monitoring of key supplier stability and regular communications regarding anticipated demand levels. – Robust procedures to open up closed hotels upon easing of government measures. **Outlook for 2021** Uncertainty regarding the continued operational disruption from COVID-19 persists, although we would expect the inherent risk level to reduce as vaccine programmes are rolled out across our markets. We will continue to closely monitor and adapt to the changing nature of the COVID-19 pandemic. Ongoing actions include: – Continued project for ensuring hotels are operating as efficiently as possible and in line with government guidance while offering guests the best possible experience. – Regular updates of the open/closed scenario analysis, to support informed decision-making. – Building on lessons learned from the COVID-19 pandemic to review and enhance existing Business Continuity and Crisis Plans.

Strategic Agenda references

1 Disciplined, focused capital deployment
2 Optimise the value of the existing portfolio
3 Extract value from portfolio to fund further growth
4 Pursue growth opportunities to drive long-term value
5 Continue to diversify our asset portfolio in different segments of the hospitality industry
6 Consistently deliver the refreshed intended guest experience across our properties
7 Maintain high operating margins
8 Leverage our scale and interregional synergies
9 Further investment in art'otel brand in preparation for new openings and future pipeline

↔ Unchanged from prior year
↑ Increased from prior year
↓ Reduced from prior year

SAFETY & CONTINUITY CONTINUED

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2021
Serious Health, Safety and Security Incidents The Group could experience significant health and safety, food safety or physical security incidents. A failure to take reasonable steps to prevent such incidents, or a failure to respond appropriately, could impact our reputation, disrupt our operations and result in significant loss of guest, team member and stakeholder confidence. Note that this year we have merged both the Physical Security and Safety and Food Safety risks under a single Principal risk heading. Strategic objectives under threat: 6 Consistently deliver the refreshed intended guest experience across our properties 7 Maintain high operating margins	Medium ↔	**Established Mitigating Controls** – Regular risk assessments. – Security and fire safety procedures. – Health & safety audit programmes. – In-house and supplier food safety audit programme. – Team member training programmes. – Incident reporting. – Hotel crisis plans. **Response to COVID-19** – 'Reassuring Moments' and 'be bold. be creative. be safe' programmes. – Regular COVID-19 related Health & Safety audits and SGS accreditation for cleanliness and disinfection. – Technology for temperature checking introduced within our hotels and corporate offices. – COVID-19 incident protocol and centralised tracking of identified cases. – Mental health and well-being training. – Adapted security measures introduced for closed hotels. **Outlook for 2021** The actions taken during the COVID-19 pandemic to mitigate this risk will continue and where necessary be adapted to respond to any regulatory changes in 2021: – Planning for health & safety requirements of national or regional tiered COVID-19 restrictions and reacting to future changes. – Continuation of enhanced health & safety programmes. – Roll-out of enhanced system for centralised incident reporting.

OUR APPROACH TO RISK MANAGEMENT CONTINUED

PEOPLE

Principal Risk Description

Decline in employee engagement and difficulty in retaining or attracting talent

The significant restructuring activity during the COVID-19 pandemic, along with enforced remote working and the need to furlough team members in the UK, is likely to have affected employee engagement negatively.

This could lead to increased difficulty in recruiting and retaining team members which would be detrimental to our recovery from the COVID-19 pandemic.

New barriers to entry for European workers, following Brexit, further exacerbates this threat by reducing the available labour pool in the UK.

Strategic objectives under threat:

6 Consistently deliver the refreshed intended guest experience across our properties

7 Maintain high operating margins

Risk Priority

Very High

Risk Response and Outlook for 2021

Established Mitigating Controls

- Recruitment and talent management strategy and processes.
- Employee engagement initiatives.
- Regular internal communications.
- Learning & development strategy.

Response to COVID-19

- Re-connect and Re-create programmes designed to re-engage and support team members following periods of lockdown.
- Increased focus on emotional well-being of team members and the impact of significant change on mental health.
- Regular communications and updates to remote working and furloughed team members.
- Development of online learning.
- Introduction of pulse survey to measure engagement and well-being.
- Introduction of COVID-19 related policies and procedures.

Outlook for 2021

This risk remains a high priority following the significant restructuring and disruption caused by the COVID-19 pandemic. The reduction in workforce during 2020 necessitates a greater focus on mitigating the risk around the retention of knowledge and experience within the business.

We will take various actions to meet the challenge of retaining employees and recruiting new team members, to scale back up as the business recovers from the COVID-19 pandemic, including:

- Continuation of Re-connect and Re-create programmes.
- Continued focus on employee well-being.
- Finalising new career site and Applicant Tracking System in readiness for scaling-up.
- Re-engagement activities with Hotel Schools.
- Different sourcing strategies available to include volume recruitment.
- Enhanced digital performance and development process to increase engagement and identifying development needs.
- Leadership Development available to drive change.
- Continuation of We are Creators – culture programme.
- Development of in-house training content for the new Learning Management System.
- Introduce enhanced Talent Management strategy and technology to ensure full visibility of talent and succession planning.
- New set up of Annual Engagement Survey – Climate Analysis.

VIABILITY STATEMENT

In addition to the going concern statement (Note 1c of the Consolidated Financial Statements on page 134), the Directors have considered the viability of the business.

The COVID-19 pandemic has seen many of our principal risks triggered or heightened. Throughout this period of turmoil, we have prioritised actions and risk responses to focus on protecting the long-term stability of the business. The Group has taken steps to strengthen its liquidity, including waivers of existing covenants on all its credit facilities until 2022 and taking additional £50 million of revolving credit facilities, maturing throughout 2023.

The enforced hotel closures and government lockdowns in all of our regions have tested our operational resilience, crisis plans and overall viability of the business. The introductions of these travel restrictions continue to have a volatile impact on demand, and occupancy levels in all our territories.

With vaccine roll-outs now underway across Europe, including in all the Group's countries of operation, the Group's hotels are excellently positioned to benefit from a phased recovery. The majority of its hotels are located in desirable city hubs, additionally the portfolio has benefited from completion of an extensive multi-year investment and repositioning programme in 2019.

As lockdowns and travel restrictions are gradually eased, the Group anticipates strong domestic demand will return in the first instance, as seen in July and August 2020, followed by international leisure and business travel. Domestic business in July and August last year accounted for almost 90% of Group room revenue in the UK and 76% in Germany, and in the Netherlands 84% of room revenue was either domestic or from bordering countries. This demonstrates the appeal of the Group's hotels in their domestic markets.

Although the vaccine roll-outs provide better perspective for the industry in the near future, the Group continues to closely monitor the current ongoing uncertainty and disruption the business faces. The Group will continue to adapt to market conditions to preserve cash and protect the Group's long-term growth prospects.

In the current volatile trading environment the Group's annual business planning process has been amended. Ongoing government restrictions currently provide high volatility to the Group's results and therefore significantly impact estimates and long-term growth planning. Business planning for the coming year trading has been performed on a bottom up basis, with high level assumptions on the easing of government measures, stopping government support from the summer onwards and different business segmentation. To provide guidance through this trading environment the Group continually monitors a three-year base case and a downside case cash flow forecast which takes into consideration different market recovery assumptions, ongoing and planned cash protection measures and the Company's long-term strategy. In assessing the Group's viability, the Board carried out a robust assessment of the current principal and emerging risks facing the Group, which could impact the strategy, focusing specifically on COVID-19 and the impact this could have on future performance and liquidity of the Group.

Since the start of the COVID-19 pandemic multiple cash flow forecasts showing various scenarios have been modelled and reviewed by the Board to provide the basis for strategic actions taken across the business. The Directors have considered detailed cash flow projections for the next three-year period to 31 December 2023 which are constructed on a base case and a downside case basis. The base case assumes a very slow recovery in 2021 with EBITDA levels at approximately 10% of 2019, the 2022 EBITDA at 70% of 2019 and returning to 2019 EBITDA levels in 2023. The downside case assumes zero EBITDA for 2021, the 2022 EBITDA at 50% of 2019 and returning to 2019 EBITDA levels in 2023.

Detailed consideration of various third party market predictions were taken into account by the Directors in determining the assumptions used in each scenario. As such, at this point in time, the Board felt these assumptions to be a reasonable worst case. The estimates in both scenarios have a high degree of uncertainty, mainly with respect to assumptions on when the pandemic is under control and normal trading will commence.

The downside case requires further extension of covenant waivers, refinancing of maturing credit facilities and use of the undrawn cash facilities, having reviewed both the base case and downside case, the Directors have determined that the Company is likely to continue in business for the period under review without implementing any further protective measures to the operational structure. Should the pandemic continue for longer, the Group's viability will depend on its access to additional liquidity.

The Board concluded that three years would be an appropriate timeframe over which to assess the Group's longer-term viability, as this period aligns with the assumed recovery period and with the limited levels of planning certainty that can be derived from the current market conditions.

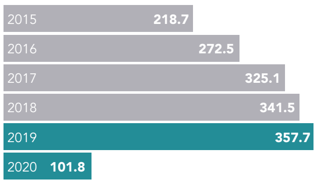
The above considerations form the basis of the Board's assessment of the viability of the Group over a three-year period to 31 December 2023 while taking account of the Group's current position, the principal risks and how these are managed as detailed in the Strategic Report, the Group strategy and the Group's financial plans and forecasts. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 December 2023.

FINANCIAL KPIs

Total revenue

£m

£101.8m



KPI definition

Total revenue includes all operating revenue generated by the Group's owned and leased hotels, management fees, franchise fees and marketing fees.

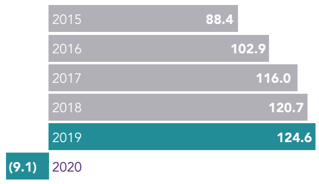
Comment

Having completed an extensive multi-year investment and repositioning programme at the end of 2019, the year started well for the Group. However, since March due to the COVID-19 pandemic most of the Group's properties were closed or partially closed throughout all the regions resulting in a decrease in revenue by 71.5%.

EBITDAR

£m

£(9.1)m



KPI definition

Earnings before interest, tax, depreciation, amortisation and rental expenses.

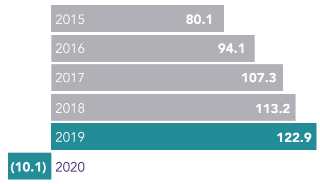
Comment

EBITDAR, which decreased by 107.3%, was negatively affected by COVID-19 pandemic in line with the drop in revenue. In order to minimise its operating expenses, the Group took swift actions which mainly include the utilisation of the available government support schemes and ongoing restructuring programme to ensure the Group's operational structure is fit for purpose and is aligned with guest demand for the short and medium term.

EBITDA

£m

£(10.1)m



KPI definition

Earnings before interest, tax, depreciation and amortisation.

Comment

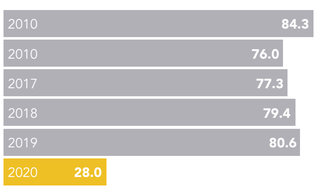
EBITDA, which decreased by 108.2%, was negatively affected by COVID-19 pandemic in line with the drop in revenue. In order to minimise its operating expenses, the Group took swift actions which mainly include the utilisation of the available government support schemes and ongoing restructuring programme to ensure the Group's operational structure is fit for purpose and is aligned with guest demand for the short and medium term.

OPERATING KPIs

Occupancy

%

28.0%



KPI definition

Total rooms occupied divided by the available rooms.

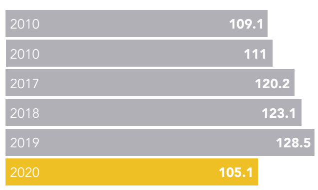
Comment

In 2020, due to the COVID-19 pandemic, most of the Group's properties were closed or partially closed throughout all the regions which resulted in a decrease in occupancy to 28.0% (2019:80.6%).

Average room rate

£

£105.1



KPI definition

Total room revenue divided by the number of rooms sold.

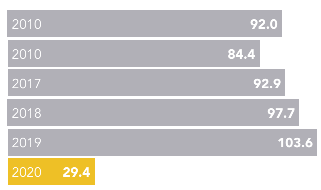
Comment

Average room rate decreased by 18.2% as a result of the lower guest demand and the higher orientation to the domestic leisure travel segment.

RevPAR

£

£29.4



KPI definition

Revenue per available room; total room revenue divided by the number of available rooms.

Comment

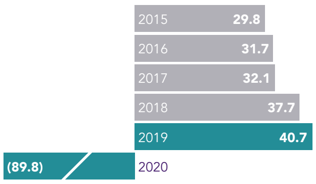
RevPAR decreased by 71.6%, in line with the decrease in average room rate and occupancy.

PROPERTY KPIs

Normalised profit before tax

£m

£(89.8)m



KPI definition

Profit before tax adjusted to remove unusual or one-time influences.

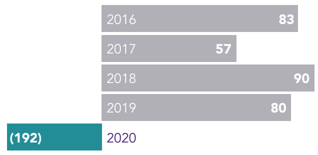
Comment

Normalised profit which decreased by 320.7% was negatively affected by the negative EBITDA and the increase in finance costs mainly due to foreign exchange differences. However this was offset by a decrease in the net expense in respect of the Income units sold to private investors in Park Plaza Westminster Bridge London.

Reported earnings per share

Pence

(192)p



KPI definition

Earnings for the year, divided by the weighted average number of ordinary shares outstanding during the year.

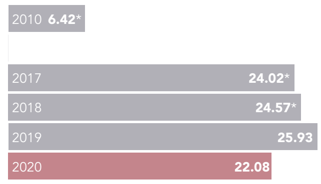
Comment

Reported earnings per share decreased by 340% in line with the decrease in reported profit.

EPRA NRV per share

£

£22.08



KPI definition

Recognised equity, attributable to the parent company's shareholders on a fully diluted basis adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model divided by the dilutive number of shares.

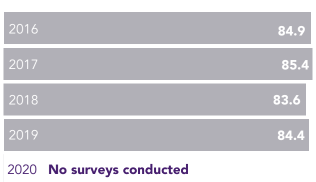
Comment

EPRA NRV per share which decreased by 14.8% was negatively affected by the loss attributed to shareholder for the year and the decrease in the revaluation of the properties in operation due to the effect of COVID-19.

* EPRA NAV in accordance with the previous EPRA NAV guidelines.

Employee engagement

%



KPI definition

Measured through annual engagement survey. Team members are encouraged to share feedback about the Company, their jobs, their team and their manager – these engagement drivers showed an increase compared to the previous year.

Comment

Developing a high performing culture, where engaged teams are empowered to create valuable memories for our guests and value for our assets is one of our strategic priorities. We therefore measure employee engagement annually, achieving a 84.4 score in 2019. Due to the disruption in 2020, no surveys were conducted and we intend to resume these once markets stabilise.

Guest rating score

%

KPI definition

Guest satisfaction and a strong reputation are paramount to our long-term success. These are measured through guest surveys completed by guests and reviews posted online on travel review websites and booking platforms. The Guest Rating Score reported is based on guest reviews posted on external websites.

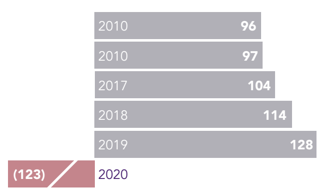
Comment

Improving the overall guest experience through creating valuable memories is one of our strategic priorities. We therefore measure the Global Rating Score, which is the online reputation score for our properties and which is based on review data collected from many of the world's leading online travel agencies and review sites. The score is calculated by an algorithm that generates a score from 0 to 100. In 2019 our score was 88.0, representing 0.7 increase year-on-year. However, due to the extended lockdown periods, the ability to accommodate key workers only in certain regions, subdued demand generally and imposed restrictions on services and facilities offered, the 2020 data is not considered indicative.

Adjusted EPRA EPS

Pence

(123)p



KPI definition

Shareholders' earnings from operational activities with the Company's specific adjustments. The main adjustment is adding back the reported depreciation charge, which is based on assets at historical cost, and replacing it with a charge calculated as 4% of the Group's total revenues, representing the Group's expected average cost to upkeep the real estate in good quality. The adjusted shareholders' earnings from operational activities are divided by the weighted average number of ordinary shares outstanding during the year.

Comment

Adjusted EPRA earnings EPS decreased by 196.1% in line with normalised profit before tax.

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**	£25.93
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

Our focus is on opening our properties and delivering on our long-term strategy

Greg Hegarty
Deputy Chief Executive Officer & Chief Operating Officer

"As soon as measures are eased we will be focusing on reopening our properties, rebuilding our teams, capturing market share and delivering on our longer-term strategy"

We were thrilled to be entering 2020 as we had just come out of a major repositioning and investment programme of well over £100 million and we were well on track for 2020 to be our best financial year ever. The pandemic took the world by surprise and left many in shock and distress.

Our experienced Board and leadership started taking decisive actions, dealing with both the immediate impact, whilst also preserving a long-term view for our Group see pages 28–30.

Team strength

I have been with PPHE Hotel Group for well over a decade and 2020 was the first year in my new role of Deputy CEO and COO. It has naturally been a very testing year for us all, but for me personally it has also been rewarding in many ways, as I feel privileged to be working with so many incredible team members who stood up and really gave their all to manage our Group through this unprecedented crisis.

OUR CORE FOCUS LOOKING FORWARD

Cash preservation

Aligning organisation to new demand levels

Safety and well-being of team members and guests

Revenue generation

Motivating and engaging teams

There are countless examples of individuals and teams who went above and beyond in their actions to protect our guests, our team members, people in our local communities and to support our Company.

Throughout this report, and especially in the Responsible Business section (pages 72–81), you will find examples of some of the excellent work undertaken, from providing accommodation to key workers, to secondments at the NHS and from providing safer places for guests to stay, and for team members to work at, by implementing rigorous new cleaning protocols.

We will forever be grateful to our team members – both past and current – for their dedication, hard work and support during this difficult period.

The DNA of each property

As owner/operator, we are fully involved from property acquisition or development, through to the design and development and ultimately, the day-to-day operation. This means that each and every property has a special place in our hearts but what makes each property special is the teams that operate these hotels. It was therefore with much regret that we had to make significant changes to our workforce during 2020. The severity of the pandemic was as such that, despite utilising all government support scheme, voluntary pay reductions and many other sacrifices that we had to restructure most of our teams, both in the properties and in the support offices.

Such decisions were not made easily and we wish all of those that left our Group under these circumstances all the best for the future, and perhaps our paths may cross again.

Protecting future margins

One of our key areas of focus was to protect the Company's cash position and we had to ensure that our teams were going to be aligned to new demand and more subdued demand levels, and factoring in property closures, distancing measures and other macro factors.
The changes implemented, paired with the many operational and capital expenditure savings achieved, should result in a positive impact on margins when we reopen.

Evolving our operations

Our operating teams deserve a lot of credit for the constant changes in the properties, with several periods of closure and reopening and with frequent changes to our product and service offering, new measures being introduced and guest expectations.
One of the areas we are very proud of is the acceleration of our Contactless Services offering, which minimises guest and team member interactions for matters such as check-in, ordering of food and drink, contactless payment options and real time messaging and chat. Together with our Reassuring Moments programme, outlined in more detail on pages 22 and 23, they have provided us with a very solid platform for our guests to use and take comfort from.

The recovery

The road ahead will be one of recovery and rebuilding and the vaccination programmes give us confidence that recovery is on the horizon. Throughout history, the travel sector has proven to be highly resilient and I believe we are well placed to benefit early from such recovery.

What gives us confidence

Our property portfolio is new, or has been significantly invested in, our properties are typically located in highly central locations, our teams are keen to start welcoming guests again and they are well prepared with robust training programmes and protocols in place. When markets reopen, we anticipate the initial demand to be domestic or from surrounding countries and these are typically our strongest markets already, and we demonstrated this in our 2020 summer performance.

See road to recovery on page 26

A 30-year plus growth track record

Expansion and new developments are an essential part of our Group's DNA and our future pipeline is filled with great potential. Under the leadership of Regional Vice Presidents and Arena's leadership team, I am excited about the next chapter for our portfolio. We will be further strengthening our position in London, with two hotels under construction and two land sites earmarked for development, in 2021 we will see the relaunch of our flagship art'otel in Amsterdam and we have several projects in Croatia and Serbia.

Delivering on our strategy

Rest assured that as soon as measures are eased and markets reopen and stabilise, we will be focusing on reopening our properties, re-engaging and rebuilding our teams, capturing market share, driving our developments and delivering on our longer-term strategy.

Greg Hegarty
Deputy Chief Executive Officer & Chief Operating Officer

UNITED KINGDOM PERFORMANCE

Property portfolio

The Group has a well-invested portfolio in the upper upscale segment of the London hotel market, consisting of approximately 3,200 rooms in operation with a further approximate 1,100 rooms in the pipeline. Four of the Group's London hotels are in the popular South Bank area of London, with further properties in the busy Victoria, fashionable Marylebone and well-connected Park Royal areas. There are also three properties in the UK regional cities of Nottingham, Leeds and Cardiff.

Hotels with an ownership interest include: Park Plaza London Riverbank, Holmes Hotel London, Park Plaza Victoria London, Park Plaza Westminster Bridge London, Park Plaza London Waterloo, Park Plaza County Hall London[2], Park Plaza London Park Royal, Park Plaza Leeds and Park Plaza Nottingham. Park Plaza Cardiff[2] operates under a franchise agreement.

Total value of UK property portfolio[1]

£894m

Operational performance

The Group's UK operations were well-placed to benefit from the recently completed major investment programmes at several of its London hotels.

In January and February trading was strong, and all of our central London hotels outperformed the market. However, when the nationwide lockdown came into force on 23 March, nine of the Group's 10 UK hotels (owned, managed, franchised) were closed in line with government requirements and these properties remained closed throughout the second quarter. As per the government mandate, all restaurants and bars were also closed in the quarter.

Park Plaza Westminster Bridge London was kept open to support key workers including government workers and local schools and communities. The hotel provided accommodation, meals and other services such as laundry at significantly reduced rates. In addition, the Group seconded more than 70 team members to provide facility services at the hospital and this number has since increased to 145 team members working at the Guy's and St. Thomas Trust, assisting with support services (including 70 team members assisting with the roll-out of the vaccination programme).

When government restrictions were eased on 4 July, several hotels were reopened with enhanced health and safety protocols in place to protect guest and team members. However, from October onwards, the government's tiered system, restricting movement in certain areas of the country, a second national lockdown from 5 November and 2 December, followed by further tightening of restrictions in London and the South East of England in December had a significant impact on performance in the region.

Consequently, total reported revenue fell by 72.7% to £56.5 million. Reported RevPAR was 74.7% lower than the prior year. Occupancy fell to 29.0% and average room rate was 23.5% lower at £116.6. The Group took rapid action to minimise the impact of the closures, including accessing the COVID-19 Job Retention Scheme, business rate holidays and restructuring operations to lower demand in the short to medium-term, resulting in a reduction in operational and support roles.

Notwithstanding the actions taken, Reported EBITDAR was £1.9 million (2019: £71.0 million), and EBITDA declined to £1.5 million (2019: £70.7 million).

UK hotel performance compared to the wider market has been quite positive. We were quick to respond to the changes in the market and opened nearly all hotels when the restrictions eased, with only Park Plaza London Waterloo and Park Plaza London Riverbank remaining closed throughout. Park Plaza Westminster Bridge London remained open and accommodated essential workers. From July up to the end of September, before the introduction of the UK Government's Tier system in October, the majority of our operational London hotels performed ahead of their respective markets. Both Leeds and Nottingham performed well against their markets in both occupancy and average room rate over summer. The type of business was primarily leisure-focused and was predominantly domestic.

Asset management projects

The final phase to reposition Holmes Hotel London was completed in the year. The subterranean self-contained space has been reconfigured into meetings and events space, with break out spaces and a private pantry. These uniquely designed spaces, ideal for team away days and brainstorm sessions, will be launched in 2021 when market conditions allow.

Development pipeline

The Group has various developments in its London pipeline. In April, the Group secured £180 million of funding with Bank Hapoalim B.M. for the development of art'otel london hoxton. The development, which is in one of London's most exciting neighbourhoods, will comprise a new 27-storey building accommodating 343 hotel rooms and suites, five floors of office space, gym, swimming pool, wellness facilities and art gallery space. The development project is progressing, and construction has been extended to 44 months from June 2020. The project is expected to complete by 2024.

Operations

	Reported in GBP (£)		
UK	**Dec-20**	Dec-19	% change
Total revenue	**£56.5 million**	£207.4 million	(72.7)%
EBITDAR	**£1.9 million**	£71.0 million	(97.3)%
EBITDA	**£1.5 million**	£70.7 million	(97.9)%
Occupancy	**29.0%**	87.7%	(5,870) bps
Average Room Rate	**£116.6**	£152.4	(23.5)%
RevPAR	**£33.8**	£133.7	(74.7)%
Room revenue	**£39.0 million**	£152.7 million	(74.5)%
EBITDA %	**2.6%**	34.1%	(3,150) bps

1 Independent valuation by Savills in December 2020 and excluding the London development sites art'otel london hoxton and Westminster Bridge Road.
2 Revenues derived from these hotels are accounted for in Management and Holdings and their values and results are excluded from the data provided in this section.

In December 2019, the Group acquired a vacant freehold site on London's South Bank (79-87 Westminster Bridge Road) with the intention of converting the property into a new hotel and office space. Planning for the mixed-use development has been submitted.

Late 2020, the Group successfully obtained planning permission for the development of a mixed-use scheme consisting of a 465-room hotel, 6,000m² of light industrial space and 3,000m² of state of the art co-working offices, gym and swimming pool adjacent to its Park Plaza London Park Royal property, an ideal location in close proximity to Heathrow Airport, Wembley Stadium, various film studios and with easy access to central London. The Group intends to secure funding and commence development in due course, creating further value for the Group.

Development of art'otel london battersea power station by the Battersea Power Statement Development Company is progressing. On completion, which is expected by 2022, the hotel will be managed by the Group under a long-term contract.

The UK hotel market*

COVID-19 severely disrupted the hospitality industry in 2020, with many countries imposing restrictions on domestic and international travel, country and regional level lockdowns, restrictions on services offered by hotels due to social distancing measures and in some cases, total hotel closures. This has restricted visibility on performance at a hotel competitor set level but at a Country/City market data level, the impact can be assessed. The below is based on full inventory availability compared to the same period in 2019.

United Kingdom

On a full year basis, the impact on the UK market was a 69.2% reduction in RevPAR to £22.5; which was the result of 60.0% reduction in occupancy to 30.8% and a 22.9% reduction in average room rate, to £73.0.

Full year performance saw London, which is PPHE Hotel Group's main market in the UK, fall 77.5% in RevPAR to £28.6. The impact to occupancy was a drop of 68.9% to 25.7% and a drop in average room rate of 27.8% to £111.3.

* Source: STR European Hotel Review TRI: December 2020.

art'otel london hoxton

In April 2020, the Group secured £180 million of funding to develop art'otel london hoxton. Construction is progressing on the 27-storey property which will comprise 343 hotel rooms (including 60 long-stay apartments and suites), five floors of offices, restaurants, gym facilities and meeting and events space. The property is expected to complete by 2024.

art'otel london hoxton development February 2021

art'otel london hoxton artist impression

THE NETHERLANDS

Property portfolio

The Group has ownership interests in three hotels in the city centre of Amsterdam and a fourth property located near Amsterdam Airport Schiphol. The portfolio also extends to include two owned hotels in Utrecht and Eindhoven.

Total value of the Netherlands property portfolio[1]

£280m

Operational performance

Due to the pandemic, several Dutch hotels and all restaurants and bars within the Group's properties were temporarily closed in the second quarter. The remaining hotels operated at significantly reduced capacity as travel and lockdown restrictions hindered demand. As government restrictions were lifted in the summer, the Group reopened properties in the Netherlands with new health and well-being protocols in place. However in the autumn, the rise in infections in the country resulted in the reintroduction of government restrictions which were then further tightened in December. While the Group's hotels remained open, restaurants and bars in the properties were closed.

As a result, total revenue in euros fell to €16.8 million (€61.4 million). RevPAR was significantly impacted in the period and fell to €28.0 million (2019: €122.9), due to the sharp decline in occupancy to 25.3% (2019: 86.2%) and 22.4% reduction in average room rate to €110.6 (2019: €142.6).

The Group took various steps to reduce costs and overheads in the region and utilised the Temporary Emergency Measure for Work Retention scheme. From February 2020, the Group reviewed and made decisions on the non-extension temporary contracts. Further measures were taken from October onwards, restructuring and reducing both operational and regional support roles working proactively with two Unions and the PPHE Hotel Group Works Council. Nevertheless, EBITDA (in euros) fell to €(0.1) million (2019: €17.1 million).

It is worth noting that despite the extremely challenging market conditions, the quality and strength of the portfolio in the region, with several properties benefiting from major investment programmes, resulted in a Park Plaza Victoria Amsterdam and art'otel amsterdam outperformed the market in January and February before the implementation of global travel bans, due to the pandemic, which severely affected business. Park Plaza Vondelpark, Amsterdam narrowly performed below fair share. However it was starting to gather positive momentum after a €9.0 million repositioning project which completed in 2019. Park Plaza Eindhoven and Park Plaza Utrecht performed above fair share in January and February against their markets.

Over summer (July to September) the demand for Amsterdam was primarily leisure driven with Park Plaza Victoria Amsterdam proving to be exceptionally popular with guests compared with considerable higher occupancies than the market. Guest nationality was largely European with a high percentage of guests coming from Germany, the Netherlands, France and Belgium. Park Plaza Victoria Amsterdam and Park Plaza Vondelpark, Amsterdam performed in excess of fair share against the Amsterdam market. Park Plaza Eindhoven also performed above fair share over this period. art'otel amsterdam has remained closed over summer.

Operations

	Reported in GBP [2] (£)			Reported in Local Currency Euro (€)		
The Netherlands	**Dec-20**	Dec-19	% change	**Dec-20**	Dec-19	% change
Total revenue	**£14.9 million**	£53.8 million	(72.2)%	**€16.8 million**	€61.4 million	(72.6)%
EBITDAR	**£0.0 million**	£15.0 million	(100.1)%	**€0.0 million**	€17.2 million	(100.1)%
EBITDA	**£(0.1) million**	£15.0 million	(100.4)%	**€(0.1) million**	€17.1 million	(100.4)%
Occupancy	**25.3%**	86.2%	(6,090) bps	**25.3%**	86.2%	(6,090) bps
Average Room Rate	**£98.3**	£124.8	(21.2)%	**€110.6**	€142.6	(22.4)%
RevPAR	**£24.9**	£107.6	(76.9)%	**€28.0**	€122.9	(77.2)%
Room revenue	**£9.8 million**	£40.3 million	(75.7)%	**€11.0 million**	€46.0 million	(76.1)%
EBITDA %	**(0.4)%**	27.9%	(2,830) bps	**(0.4)%**	27.9%	(2,830) bps

1 Independent valuation by Savills in December 2020.
2 Average exchange rate from Euro to Pound Sterling for the year to December 2020 was 1.12 and for the year to December 2019 was 1.14, representing a 1.6% decrease.

Netherlands hotel market*

COVID-19 severely disrupted the hospitality industry in 2020, with many countries imposing restrictions on domestic and international travel, country and regional level lockdowns, restrictions on services offered by hotels due to social distancing measures and in some cases, total hotel closures. This has restricted visibility on performance at a hotel competitor set level but at a Country/City market data level, the impact can be assessed. The below is based on full inventory availability compared to the same period in 2019.

The Netherlands

On a full year basis, the impact on the Netherlands market was a 71.7% reduction in RevPAR to €26.1; which was the result of 62.8% reduction in occupancy to 28.1% and a 23.9% reduction in average room rate, to €93.3.

Full year performance saw Amsterdam, PPHE Hotel Group's main market in the Netherlands, fall 79.3% in RevPAR to €24.7. The impact to occupancy was a drop of 70.9% to 23.7% and a drop in average room rate of 28.8% to €104.7.

* Source: STR European Hotel Review TRI: December 2020.

Park Plaza Victoria Amsterdam

Park Plaza Vondelpark, Amsterdam

CROATIA

Property portfolio

The Group's subsidiary, Arena Hospitality Group (Arena), owns and operates a Croatian portfolio of seven hotels, four resorts and eight campsites, all of which are located in Istria, Croatia's most prominent tourist region. Four of Arena's properties in Croatia are Park Plaza branded whereas the remainder of their portfolio operates independently or as part of the Arena Hotels & Apartments and Arena Campsites brands.

Total value of Croatian property portfolio[1]

£243m

Operational performance

The Group's Croatian operations are highly seasonal. Most of the properties are closed in the first quarter, and usually trade from Easter with peak season in July and August. Two thirds of revenue in the region is generated in the third quarter.

The pandemic and associated government lockdowns led to a delayed opening of hotels, resorts and campsites for the 2020 summer season. As lockdown restrictions in Croatia and the surrounding countries were eased from the end of May, campsites on the Istrian Peninsula began to reopen, closely followed by the opening of selected hotels and resorts. Summer season bookings and arrivals gradually increased throughout June, intensifying in July and peaking in mid-August. The business mix was substantially different this year, with the Campsites contributing proportionally more to the overall results due to their increased popularity and high margins.

However, from mid-August, several feeder countries, including Austria, Italy and Slovenia, changed their foreign travel advice on Croatia. This led to a sudden change in demand, early departures, cancellations and limited new bookings, curtailing the peak season.

Throughout the period, the Group utilised employee-related support schemes as well as other measures to reduce tax and contributions available from the government. Nevertheless, total revenue (in Croatian Kuna) was HRK 158.7 million. RevPAR declined to HRK 231.1, reflecting occupancy of 30.4% (2019: 63.1%) and a 1.4% reduction in average room rate to

Hotel Brioni Pula

Operations

	Reported in GBP [2] (£)			Reported in Local Currency HRK		
Croatia	**Dec-20**	Dec-19	% change	**Dec-20**	Dec-19	% change
Total revenue	**£18.7 million**	£61.1 million	(69.4)%	**HRK 158.7 million**	HRK 519.6 million	(69.5)%
EBITDAR	**£1.1 million**	£19.4 million	(94.3)%	**HRK 9.4 million**	HRK 164.4 million	(94.3)%
EBITDA	**£0.4 million**	£18.2 million	(98.0)%	**HRK 3.1 million**	HRK 154.4 million	(98.0)%
Occupancy[3]	**30.4%**	63.1%	(3,272) bps	**30.4%**	63.1%	(3,272) bps
Average Room Rate[3]	**£89.8**	£91.1	(1.4)%	**HRK 761.1**	HRK 772.1	(1.4)%
RevPAR[3]	**£27.3**	£57.5	(52.6)%	**HRK 231.1**	HRK 487.1	(52.6)%
Room revenue	**£8.1 million**	£33.5 million	(75.9)%	**HRK 68.4 million**	HRK 283.5 million	(75.9)%
EBITDA %	**1.9%**	29.8%	(2,787) bps	**1.9%**	29.7%	(2,779) bps

1 Independent valuation by Zagreb nekretnine Ltd in December 2020 and excluding Hotel Brioni (Pula) and Zagreb which are under development.
2 Average exchange rate from Croatian Kuna to Pound Sterling for the year to December 2020 was 8.47 and for the year to December 2019 was 8.47, representing a 0.0% change.
3 The average room rate, occupancy and RevPAR statistics include all accommodation units at hotels and self-catering apartment complexes and excludes campsite and mobile homes.

HRK 761.1 (2019: HRK 772.1). The region reported an EBITDA of HRK 3.1 million (2019: HRK 154.4 million).

Asset repositioning projects

The second and final phase of the major repositioning of the Arena Grand Kažela Campsite in Medulin was completed ahead of the summer season at an investment of £6.0 million (this followed a 2019 investment of £19.0 million). The project included the installation of 45 new holiday homes, the refurbishment of the existing restaurant & bar and sports centre, refurbishment of four existing sanitary blocks and the installation of one new sanitary block. The repositioning of this campsite, the largest in the Group's portfolio, is now completed.

Two further investment upgrade projects were completed. The refurbishment of 146 apartments and infrastructure works at Arena Verudela Beach Pula, a self-catering apartment resort (a £7 million investment). Park Plaza Histria Pula which underwent a soft refurbishment of all rooms, and the Yacht Bar & Restaurant and Lighthouse restaurant were refurbished.

The major repositioning of Hotel Brioni Pula commenced in January 2020 and phase one of the construction works has been completed. On 8 December, Arena entered into a new loan agreement with Erste & Steiermärkische banka d.d, and Zagrebačka banka d.d. in Croatia, for €24 million (£21.5 million) to partly fund the project. Phase two of the repositioning and redevelopment is underway and Arena is expected to open the repositioned hotel during the 2021 summer season. The hotel occupies a spectacular location on a cliff providing views of the Adriatic and Brijuni islands. The total investment of HRK 260 million (£30.9 million) investment will reposition the property as a luxury upper upscale hotel with 227 rooms, offering an indoor pool, gym, kids playground and several restaurants, bars and meeting and events facilities.

Acquisitions and development projects

On 30 January, Arena entered into a 45-year lease agreement for the development and operation of a 115-room hotel in Zagreb, Croatia, further extending its presence in Central Eastern Europe.

On 2 June, Arena signed a sale and purchase agreement for Guest House Hotel Riviera in Pula, with the Republic of Croatia, for a consideration of HRK 36.5 million (£4.4 million). Completion of the purchase allows Arena to commence plans to reposition the property into a luxury branded, 80-room hotel.

Together these projects further the Group's strategic aim to increase its footprint in attractive locations in Central and Eastern European cities.


Park Plaza Histria Pula


Arena Grand Kažela Campsite

GERMANY, HUNGARY AND SERBIA

Property portfolio

The Group's portfolio in the region includes four properties in Berlin and one hotel each in Cologne, Nuremberg and Trier in Germany and Budapest in Hungary. Hotels with an ownership interest include: Park Plaza Berlin Kudamm[3], Park Plaza Nuremberg, art'otel berlin mitte[3], art'otel berlin kudamm and art'otel cologne. Park Plaza Wallstreet Berlin Mitte and art'otel budapest operate under operating leases and Park Plaza Trier operates under a franchise agreement.

Total value of Germany, Hungary and Serbia property portfolio[1]

£87.2m

Operational performance

Whilst the year started as expected, from March onwards the performance in the region was severely impacted by the pandemic. While most of the Group's hotels in the region remained opened and continued to operate, this was at a much reduced capacity. As government lockdown measures were eased in the summer, operations resumed at all the Group's hotels. art'otel cologne and Park Plaza Nuremberg performed above fair share against their markets over summer with occupancies fairly consistent across each weekday. This was almost exclusively from the domestic market.

However, during the autumn months increasing infection rates in Germany lead to further government restrictions. Christmas markets and fairs which typically drive demand for our hotels were cancelled. From November overnight accommodation was limited to essential travel only, not for tourism purposes, until mid-January 2021. A national lockdown was imposed in December.

As result of the above, total revenue (in euros) was €9.9 million (2019: €33.7 million). RevPAR was €23.8 (2019: €86.2), due to the dramatic drop in occupancy to 25.5% (2019: 80.7%). Average room rate reduced by 12.7% to €93.4 (2019: €106.9).

During the period the Group accessed Kurzarbeit, the German government's short-term work scheme to support jobs and it will continue to utilise this scheme as required in 2021. Nonetheless, despite Kurzarbeit and other steps taken to reduce costs in the region, EBITDA (in euros) decreased by 106.2% to €(0.1) million (2019: €9.9 million).

Acquisition and asset management projects

Arena announced on 17 December that it had entered into a HRK 32.0 million loan agreement with AIK Banka a.d for the acquisition of 88 Rooms Hotel in Belgrade, Serbia.

The purchase completed on 29 December 2020 for a total consideration of HRK 45.0 million (£5.4 million).

The Group intends to invest in a soft refurbishment of public areas and rooms at art'otel budapest.

Germany hotel market*

COVID-19 severely disrupted the hospitality industry in 2020, with many countries imposing restrictions on domestic and international travel, country and regional level lockdowns, restrictions on services offered by hotels due to social distancing measures and in some cases, total hotel closures. This has restricted visibility on performance at a hotel competitor set level but at a Country/City market data level, the impact can be assessed. The below is based on full inventory availability compared to the same period in 2019.

Germany

On a full year basis, the impact on the German market was a 65.1% reduction in RevPAR to €25.7; which was the result of 59.9% reduction in occupancy to 28.6% and a 12.9% reduction in average room rate, to €89.8.

Full year performance saw Berlin, PPHE Hotel Group's main market in Germany, fall 69.1% in RevPAR to €24.2. The impact to occupancy was a drop of 63.8% to 28.7% and a drop in average room rate of 14.8% to €84.5.

* Source: STR European Hotel Review TRI: December 2020.

Operations

	Reported in GBP [2] (£)			Reported in Local Currency Euro (€)		
Germany	**Dec-20**	Dec-19	% change	**Dec-20**	Dec-19	% change
Total revenue	**£8.8 million**	£29.5 million	(70.2)%	**€9.9 million**	€33.7 million	(70.6)%
EBITDAR	**£(0.1) million**	£9.1 million	(106.0)%	**€(0.1) million**	€10.4 million	(105.9)%
EBITDA	**£(0.1) million**	£8.7 million	(106.3)%	**€(0.1) million**	€9.9 million	(106.2)%
Occupancy	**25.5%**	80.7%	(5,514) bps	**25.5%**	80.7%	(5,514) bps
Average Room Rate	**£83.0**	£93.6	(11.3)%	**€93.4**	€106.9	(12.7)%
RevPAR	**£21.2**	£75.5	(71.9)%	**€23.8**	€86.2	(72.4)%
Room revenue	**£6.8 million**	£24.2 million	(71.9)%	**€7.7 million**	€27.7 million	(72.3)%
EBITDA %	**(6.2)%**	29.5%	(3,572) bps	**(6.2)%**	29.5%	(3,572) bps

1 Independent valuation by Savills in December 2020 with the exception of the 88 Rooms Hotel in Belgrade, Park Plaza Wallstreet Berlin Mitte and art'otel budapest which are measured at book value.
2 Average exchange rate from Euro to Pound Sterling for the year to December 2020 was 1.12 and for the year to December 2019 was 1.14, representing a 1.6% decrease.
3 Revenues derived from these hotels are accounted for in Management and Central Services performance and their values and results are excluded from the data provided in this section.

MANAGEMENT AND CENTRAL SERVICES PERFORMANCE

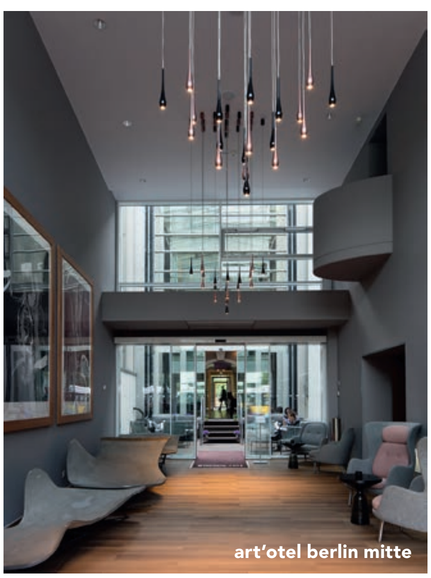
Our performance

Revenues in this segment are primarily management, sales, marketing and franchise fees, and other charges for central services.

These are predominantly charged within the Group and therefore eliminated upon consolidation. For the year ended 31 December 2020, the segment showed a negative EBITDA as both internally and externally charged management fees did not exceed the costs in this segment.

Management, Group Central Services and licence, sales and marketing fees are calculated as a percentage of revenues and profit, and therefore these are affected by underlying hotel performance.

	Reported in GBP (£)	
	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Total revenue before elimination	**£14.4 million**	£44.3 million
Revenues within the consolidated Group	**£(11.6) million**	£(38.4) million
External and reported revenue	**£2.8 million**	£5.9 million
EBITDA	**£(11.3) million**	£10.3 million


art'otel berlin mitte


Park Plaza Nuremberg

Fostering communication in all of our business relationships and understanding the views of all our stakeholders

TEAM MEMBERS

The Board relies heavily on site visits as a means of interacting with the workforce in an authentic yet punctilious manner. Site visits allow the opportunity to plan meetings with specific teams and team members while allowing for organic engagement by way of the Directors staying at the property and interacting with team members in the same manner as any other guest. This approach has proven highly effective, therefore the Board targeted at least two site visits for each Director in 2020, as provided in the 2019 Annual Report and Accounts. The Non-Executive Directors were also due to participate in our recently launched Responsible Business Communities Programme and work directly with the hotels' Responsible Business Ambassadors. Furthermore, the Board has appointed our Deputy Chairman to act as the dedicated workforce engagement member of the Board. Finally, the Remuneration Chair has been tasked to review the gender pay gap on an annual basis.

For more information, please see Remuneration Committee Report on pages 111 to 118

Each of these approaches has been stifled by the COVID-19 pandemic, resulting in more limited workforce engagement. Restricted operations caused nearly all properties to close for at least some portion of the year resulting in limited workforce with which to engage. Gender pay gap reporting was suspended for the 2020 year. Travel restrictions prevented Site visits from March onwards. Our dedicated Non-Executive Director was unable to meet with the workforce in person from March onwards, although sessions with the Executive Leadership were continuing online. The Board utilised technology in as much as possible and was on target with engagement prior to the lockdown, however, the Board acknowledges that the limitations of the COVID-19 pandemic proved challenging for the workforce engagement programme.

Why they matter to us:

Our team members create and deliver our guest experiences, ensuring that guests' expectations are fully met. Investment into our talented team members is an investment into our pool of future leaders and into our ability to offer exceptional service.

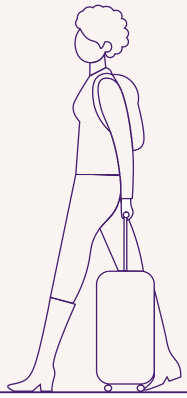
What matters to them:

- Feeling safe at work
- Feeling valued for their work and skill set
- Being rewarded for their work and dedication
- Opportunities for career progressions and internal promotions
- Developing their own skills and experience through training and learning
- Open conversation about work environment, benefits and opportunities
- Opportunities to engage in Responsible Business initiatives and support social and community causes through their work
- Being a part of an engaging, positive culture
- Feeling welcome, secure and part of a culture of respect and collaboration
- Knowing that their concerns are communicated, heard and considered with care from the Leadership Team at the hotel, at the corporate level and by the Board

How we engaged:

- Site visits in January and February by our Deputy Chair, Remuneration Chair, Nominations Committee Chair
- Site visits as frequently as possible by our Chair and CEO/Executive Director
- Regular site visits in the Netherlands throughout lockdowns by our CFO/Executive Director
- Pulse survey conducted in the Netherlands and operational settings with results reported to our Deputy Chairman;
- Weekly 'Staying Connected' email newsletters sent to business email addresses and personal addresses for those team members on furlough, with video interviews and Q&A sessions with Executive Directors and senior leadership, business updates, mental health guidance, self-learning initiatives and advice on best practice ways to work from home
- Updates on workforce well-being provided to the Non-Executive Directors
- Open dialogue on redundancies between regional HR and Non-Executive Directors throughout the year

For more information on workforce engagement, please see the Deputy Chairman statement on page 82 and Our People section on pages 74 to 77



GUESTS

Whether we welcomed our longstanding guests or opened our doors to new ones, including many healthcare and other key workers, their safety and comfort remained our highest priority, as always. As we understood that fewer guests would want to come into physical contact with people during their stay, our focus again was accelerating digital transformation initiatives.

Why they matter to us:

We put guests at the heart of everything we do. We aim to create valuable memories for our guests, because it is a central value of our Company and drives immediate value to our operations in the form of revenue, loyalty, reviews and feedback and increasing brand recognition and brand value.

What matters to them:

- Feeling safe when using our facilities
- Providing access to customer support if and where required through multiple communication channels
- Offering recognisable and consistent standards across our diverse portfolio; yet tailored to each brand with local flair
- Providing unique experiences which guests will remember and may share with their personal or professional network
- Personalisation of guests' stay and engaging service
- Ease of making or adjusting reservations
- Giving access to diverse portfolio for loyalty redemption

How we engaged:

- Despite lockdowns, received regular feedback, insights and data from the c.14,000 guest surveys collected in the year, in addition to c.48,000 online guest reviews
- Created new online and e-tools to allow for tailored, dedicated service with minimal in-person contact during times of heightened social distancing measures, including online check-in, online ordering of food and drinks, guest messaging online and via WhatsApp and contactless payments
- Ensuring access and ease of use of our website and loyalty programme
- Extended loyalty status for an additional 12 months for Radisson Rewards loyalty programme members whose status was due to expire in February 2020
- Frequently adjusted our booking terms and cancellation policies.
- Obtained SGS accreditation, as well as additional accreditations for owned/managed in the UK from the AA, VisitBritain and MIA, underwriting our new health and safety protocols
- Regularly sent newsletters, social media posts and website updates on changes in local legislation and health and safety measures
- Received updates from our dedicated Guest Service team specifically to engage with guests and gather insights on our products and services from guest reviews, surveys and posts on social media
- Engagement through social media contests and promotions and real time interaction with guests

LOCAL COMMUNITIES

In 2020, we saw an increased level of support of and engagement with our local communities. We were touched to see many of our colleagues – from Board members and senior management to operational team members – volunteer their time, donating money or taking an initiative in organising fund-raising activities to support our neighbourhoods. Our Responsible Business Communities Programme was launched in February 2020 and well received by our teams across the UK, the Netherlands and Germany. While the programme has been paused, we anticipate its welcome return upon the renewal of normalised operations.

Why they matter to us:

Our local communities in which we operate are vital to our success. We understand that building lasting relationships with our neighbours through proactive engagement, dialogue and support fosters community growth and attraction to our destinations, increases asset values and builds opportunities. We are passionate about supporting them and in turn being supported by them.

What matters to them:

- Providing local employment opportunities and employing members of the local community
- Supporting local institutions and participating in local initiatives
- Attracting consumers to local businesses
- Being a good neighbour by respecting noise levels and use of shared resources
- Engaging local suppliers, using locally sourced products and highlighting local culture
- Improving business-to-business opportunities
- Attracting investment

How we engaged:

- Non-Executive Directors donated 50% of their salaries in the second quarter and 20% in the third and fourth quarters to Hospitality Action, a charitable organisation that offers assistance to all who work, or have worked within hospitality in the UK
- Supported our team members who participated in local charity initiatives
- Provide event space and equipment without charge for certain community events and initiatives
- Supported local food banks and food drives
- Supported front line workers and medical personnel through various local activities across Croatia, the UK and Germany
- Provided free meals to local hospital staff in communities within the UK, Germany and Croatia
- Participated in digital events for students providing advice and support
- Engagement in local business associations
- Engage in hotel trade associations in all of our operating regions

For more information on how we engage and support our local communities, please see the Our Places section on pages 76 to 77

INVESTORS

It was especially important in 2020 to ensure our investors received frequent updates on the business and had ongoing access to complete and transparent information on our governance.

Why they matter to us:

Building long-term relationships with supportive high quality investors who understand and support our vision is essential for the future funding and continued growth of the business.

What matters to them:

- Clear strategy for long-term growth
- Assurances that losses are managed and minimised
- Financial performance
- Sustainability and durability of the Company to withstand risks and unexpected change
- Governance and transparency
- Confidence in Company's leadership
- Predictability
- Environment, social and governance activities

How we engaged:

- Releasing frequent and comprehensive business updates
- Maintaining and frequently updating our investor website
- Holding e-roadshows with investors
- Offering teleconferencing access to our AGM
- Responding to shareholder questions
- Publishing of Annual Report and Accounts and half year results announcements, Stock Exchange announcements and press releases on corporate developments

AFFILIATES

Building on our longstanding successful partnership with the Radisson Hotel Group was a key long-term priority for the Company in 2020. We believe that the strength of this relationship can and should be utilised to expand our development aspirations.

Why they matter to us:

We have an exclusive and perpetual licence with Radisson Hotel Group to operate its upper upscale Park Plaza brand in Europe, the Middle East and Africa, which complements our upper upscale lifestyle brand art'otel (which is also marketed through the Radisson Hotel Group). In Croatia, some of our properties utilise the locally targeted Arena Campsites and Arena Hotels & Apartments brands.

Ensuring we fully utilise the benefits of the Park Plaza perpetual licence, we work closely with Radisson Hotel Group. Key benefits derived from this strategic partnership include brand recognition, technology infrastructure such as the central reservations system, websites and apps, as well as global buying power and the Radisson Rewards™ loyalty programme. Maintaining our mutually supportive and collaborative relationship supports our long-term strategy and stability as a business.

What matters to them:

- Integration and participation in key commercial drivers and programmes such as radissonhotels.com, Radisson Rewards™ and the Radisson Meetings programme
- Alignment for the future direction of the Park Plaza brand in areas such as brand positioning, brand standards, technical standards, concepts, service culture and marketing
- Financial growth and expansion

How we engaged:

- Non-Executive Directors received monthly updates on the affiliate relationship and discussed additional follow-up items
- The Board reviewed the strategic plan with consideration given to the strength and development of the relationship

SUPPLIERS

Although our purchasing volume was affected by COVID-19, we continued to see the supply chain as a vital element of hospitality eco-system.

Why they matter to us:

Ensuring that we create close, collaborative and mutually beneficial relationships with key suppliers helps us to streamline processes and provide consistent standards across our portfolio, which in turn benefits our guests and other stakeholders.

What matters to them:

- Fair and cooperative practices
- Predictable demand
- Mutually beneficial terms
- Commitment to consider responsible business practices in our ways of working

How we engaged:

- Reviewed internal practices and policies, including Ethical Sourcing Policy
- Worked closely with various suppliers to eliminate single-use plastic stirrers, cups and other utensils
- Maintained supplier relationships and open dialogue throughout the year

Creating value for Our People, Our Places and Our Planet

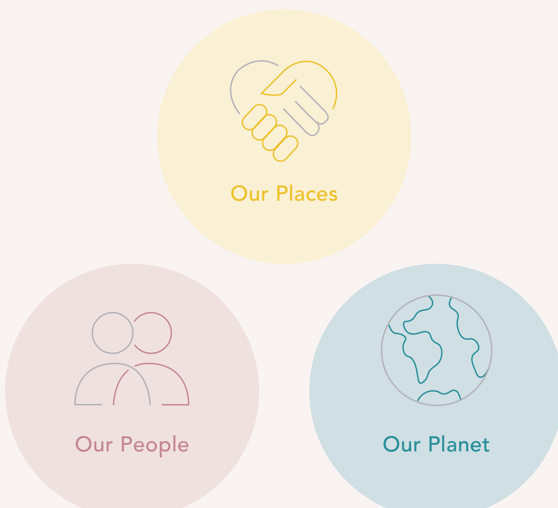
Inbar Zilberman
Chief Corporate and Legal Officer

OUR INTANGIBLE SOURCES OF VALUE

Our People:
our team, guests and the identity of our brands to them, our stakeholders and the relationships we have with each

Our Places:
our properties and the communities that our properties call home

Our Planet:
our Planet which provides for our every need



THESE ASSETS ARE CRITICAL TO OUR LONG-TERM GROWTH AND DEVELOPMENT AS WELL AS TO OUR IMPACT ON THE WORLD AROUND US

"Our business is driven by purpose, strong management and a commitment to performance and service. 2020 reminded us of the value we can create in our communities simply by doing what inspires us: creating inspirational hospitality."

2020 presented a number of shifts in the way we, as a business, operated directly with our stakeholders and presented an unprecedented humanitarian challenge globally. The events of the year had a significant impact on our team members, altered consumer behaviour, upended our supply chains, stretched charitable and public services beyond capacity and challenged even the most fundamental of societal tenets.

The year also called us all to act and to take decisive actions. Some of these, we did not wish to take, such as making redundancies; others, we embraced, such as improving communications to ensure we could care for one another remotely, supporting food banks stretch beyond capacity and supporting the health care system and front line workers through hospitality.

What we can see as we look back and when we eye the future is the great value we have in the strength of character in our team members, many of whom overcame personal struggles throughout the year and others volunteered their time and energy to support those in need within their local communities and their own team members. Through the collective voice of individuals, we created value for our stakeholders and in particular for our local communities throughout 2020.

We leave the year knowing that at our core, we remain steadfast to our values and purpose as a Company and have continued to develop our business model, our governance and our strategy to support a brighter tomorrow.

OUR CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

As of 2019, we restructured our Responsible Business programme to ensure our efforts contributed to the United Nations Sustainable Development Goals ("SDGs").

While we are able to relate our activities to most of the 17 SDGs, we believe our purpose and values are most closely aligned with five SDGs in particular.

In 2020 we added SDG 11, Sustainable Cities and Communities, to our Responsible Business programme to account for the inherent emphasis placed on integrating sustainable and smart technologies in our properties as we develop and refurbish our properties.

Our People

Our goals:

1. Linking development to learning
2. Attract and retain talent
3. Increase diversity in the workplace

Sustainable Development Goals:

Over the years we have cultivated a team of individuals, each of whom strives to create memories and experiences for guests that long outlive the stay at our properties. With the forced closures and limitations on operations, our team members and our business faced an improbable frustration of purpose in not being able to do the work that drives them. In the face of limited opportunities to serve and create, our team members led one another to find ways to express their passion for hospitality through supporting one another, their community and continuing their efforts to integrate green practices and approaches into our operations.

Supporting health and safety – Reassuring Moments Programme

Ensuring our hotels and offices are COVID-secure was a top priority for the Company. We launched a comprehensive health and well-being programme which implemented practical tools and mechanisms to maintaining COVID-safety protocols alongside a full training suite of the protocols in place. This training, termed our Reassuring Moments programme included webinars, on-the-job-training and a suite of standard operating procedures to cover every element of the new protocols and procedures.

Following the implementation of the Reassuring Moments programme, we utilised pulse surveys in selected offices and hotels to assess how the procedures and the training were received by team members and what changes they would suggest. The Company then aggregated the responses of the pulse survey and made changes to the approach in response to team member feedback.

We continue to put the health and well-being of our team members and guests at the heart of our operations.

Healthy Hospitality at Home

(Re)Connect & (Re)Create

Our (Re)Connect & (Re)Create Programme was created specifically to ensure we had the opportunity to 'check in' and 'engage' with team members. Part of the programme, that was delivered in live sessions and attended by more than a thousand colleagues in the first few months, focused on mental health and well-being.

The restrictions on movement and in person socialising in 2020 were undoubtedly a challenge to both mental and physical health. To overcome these challenges we created a number of interactive and web tools to encourage physical and mental health. Included in those was reformatting our Mental Health first aiders programme across our UK region to encourage people to speak up and contact one of our nominated mental health first aider if they needed support.

Creating a culture that supports mental and physical well-being across the organisation is important to us. We want to promote an environment where mental health and physical health issues are treated without stigma and where everyone feels accepted and supported if dealing with wellness and health issues. We encourage all of our team members to take part in internal events to promote health and well-being and continue to invest our efforts in growing our Mental Health First Aiders programme in the UK and promoting healthy initiatives in our other operating regions.

We rolled out a weekly newsletter with links to free programmes, classes, tools and applications to support mental and physical health. Many of our team members stepped up and took the initiative, with, for example, some of our award-winning chefs offering cooking classes and sharing easy-to-follow recipes or our colleagues with interest in fitness hosting free online fitness classes.

The weekly news updates were seen as a big success and is something we hope to continue with well into the future.

Weekly newsletters

Our weekly newsletters and other digital channels proved to be useful tools not only to create a network of support and promote well-being in challenging times, but generally allowed our leadership to continue to communicate with team members. Travel restrictions, social distancing measures and other limitations caused by COVID-19 meant that conducting our usual extensive programme of face-to-face town hall meetings, workshops, and other events was no longer possible. Therefore, we completely restructured our communications with the emphasis on digital channels. Our weekly newsletters featured regular updates from leadership of all ranks including our CEO, Executive Leadership team and senior management, pre-recorded webinars and various other business updates. To ensure that we maintain effective two-way communication we encouraged our team members to submit their questions and each weekly newsletter featured a pre-recorded Q&A session with our Deputy CEO.

Greg Hegarty, Deputy Chief Executive Officer & COO, speaks to Team Members in weekly video message

"It was important to myself and the Executive Leadership team to continue to communicate with our team members through various communication channels."

Boris Ivesha
President & Chief Executive Officer

Developing talent

Our team members are critical to the success of our business. Development and learning is a key element of our talent retention programme and it underpins our success as a Company. As such, supporting and encouraging team members to develop and grow their careers within the business is a priority for us.

Notwithstanding the pandemic, we strived to continue our learning and development programmes where possible. This included our Foundation in Management programme designed to develop managers over a nine-month period.

We were proud to have 19 colleagues successfully pass their assignments in 2020. Our greater team members were also offered some easy-to-access and free-to-use courses via our newsletters. Although we did not have many new openings to fill, we maintained contact and collaboration with schools and universities with whom we had established good relationships and participated in various digital events and activities throughout 2020.

Our Places

Our goals:

1. Increasing our charity initiatives and volunteering
2. Contributions and investments with our local community
3. Engagement with our local community

Sustainable Development Goals:

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

"True to our values, purpose, and strategy, we remained committed to playing an active role in our local communities. Our individual team members led the charge to support those in need, filling gaps in service, care and support that were left exposed by the COVID-19 pandemic. We remain eager to do more and to be present in bringing positive support to our communities."

Inbar Zilberman
Chief Corporate & Legal Officer

The 2020 Communities Programme

Our Communities Strategy is designed to create sustainable relationships with each of the neighbourhoods which we call home. The Communities Strategy, approved in 2019 by our Executive Team and implemented by our Responsible Business Team, included the roll-out of our Responsible Ambassadors Programme in early 2020.

The programme allowed each hotel to nominate a Responsible Business Ambassador from within the workforce who received training on our Responsible Business Programme, were each allotted monthly work hours to promote local community initiatives, in line with our SDGs, and report their efforts to other Ambassadors during frequent training and collaboration sessions led by our central Responsible Business Team. The intended outcome of the programme was to present to the Board and panel of colleagues at various levels of the business, on the community efforts of their hotel and allow the panel to select an annual Group charity for the regional and corporate offices to support. The programme was rolled out across the UK, Netherlands and Germany in early March 2020 and was well received. As COVID-19 took hold, the programme was placed into temporary hibernation. By late spring, our Responsible Business Ambassadors along with their colleagues had picked up the reigns and resumed their efforts to support those in their local communities through various charitable and public service groups.

NHS Secondment Programme

Our team members are passionate about delivering exceptional hospitality experiences. Creating great hospitality experiences requires a number of skills and disciplines, many of which are symbolic of the hotel experience. The welcoming greeting and memorable sense of arrival as you enter a hotel at the start of your holiday, the scent of a perfectly cooked dinner as it is delicately placed in front of each guest at a table, the flurried scene of people arranging every detail in the final minutes before the doors open at the annual company event are all quintessential features of true hospitality. These fond memories that outlive a stay at our hotels are created for each individual guest and curated by the dedicated work of our skilled team members.

In 2020, many of our colleagues found that their expertise, training and passion for hospitality could be of great value and use at hospitals and medical facilities, where the demand for staff was outpacing the supply.

With the unexpected onset of the pandemic, the healthcare industry found itself facing increased demand, practically overnight. Similarly, our industry saw a shortage of work, creating a challenge for us to remain certain roles where operations were closed or limited.

Our UK operations and human resources teams collaborated with the UK National Health Service ("NHS") to create a unique secondment programme for our team members. The programme invited team members of all skillsets and backgrounds to volunteer to work directly in the healthcare sector during times of need, while maintaining their employment with the Group. This allowed us to maintain roles which otherwise would not have been needed while operations were limited and it allowed the NHS access to the exceptional support of our team members across a number of disciplines.

Be it the logistics mastery of our marketing and events teams, the culinary expertise of our chefs and the hospitable yet watchful eye of our security team, our team members found that they could use their talents to support health services throughout the pandemic.

Without this crisis, the speed and magnitude of reskilling to leverage the talents of our team members would never have been contemplated. We have learned that when there is a need, there is most certainly a way to help one another, even across differing industries. We remain humbled by the efforts of our colleagues who welcomed the secondment opportunity, even in the early days of the pandemic when so much about COVID-19 remained a mystery.

As part of the programme we have seconded team members for roles in:

Meet & Greet
From March 2020

Porters
From March 2020

Food Service Assistants
From March 2020

Vaccination recruitment
From December 2020

Vaccination Support
From December 2020

Chefs
From March through June 2020 & from December 2020

As of Christmas Day 2020, we had 70 team members seconded to St Thomas' & Guy's Hospitals. As we ended 2020, we began the effort of quickly enrolling our operational managers and meeting and events teams for new roles to support the vaccination roll-out.

We want to thank our colleagues for their eagerness to lend their talents to the NHS, in even the darkest days of the pandemic, and who continue their secondment in 2021 in hospitals, medical facilities and in aiding with the logistics and roll-out of COVID-19 vaccines.

Supporting Local Hospitals & Health Care

From the outset of the pandemic during the months of March, April and May, our colleagues in Croatia undertook a series of activities to help the local community cope with the crisis. Amongst those were co-financing the purchase of Ultraviolet-360 Room Sanitizer for Pula General Hospital and donation of 35 LCD television sets for the use of patients. Our team also prepared more than 6,000 packed lunches for hospital staff over a two-month period and some 20 of our colleagues assisted in the preparation and cleaning of new hospital spaces.

Helping Our Key Workers

The pandemic highlighted how vividly dependent our communities are on key workers. Millions of front-line staff left their homes every day to help maintain key services and a semblance of normality and we felt it was important to support them where we could and as well as to show our appreciation. The team at Park Plaza Victoria London, for example, offered first respondents, including firefighters, police officers and medical staff, respite in-between shifts and call outs; Park Plaza Eindhoven offered free parking spaces to those working in healthcare, teachers or individuals involved in other initiatives in support of the crisis; and Holmes Hotel London delivered 78 boxes of chocolate Easter Eggs to St John's Ambulance headquarters as a small act of kindness to show their gratitude.

Supporting Local Business

In some of our properties, we lease commercial spaces to tenants. Whether it is a cheesemonger selling traditional, local varieties of cheese or a family-run jeweller, most of those are small local enterprises that play an important role in the local communities. We recognised the devastating effect various social distancing measures and falling footfall had on their cash flow and general sales in 2020 and we were glad to work with our tenants to offer special support and arrangements to assist them through hardship.

Supporting Local People in Need

The novel coronavirus pandemic had a devastating social economic impact on some of the most vulnerable members of our societies. As many local services had to close their doors, we supported a London charity that provided free meals to those in need at a local church. As part of the effort, more than 24,000 meals were served over the period of six weeks providing breakfast and lunch to up to 200 people a day. In December 2020, Park Plaza Westminster Bridge London further partnered with Lambeth Council to join its Helping Hands programme. The hotel donated 2,000 roast dinners, bringing together a team of 36 volunteers from the business to prepare and pack food boxes for distribution to elderly and vulnerable residents across Lambeth area of London.

2020 saw several other activities aimed at supporting local communities and charities. In September, for example, TOZI London partnered with a charity which provides financial and emotional support to theatre workers and designed a special dish which was sold with a £1 donation alongside an additional discretionary £1 on every bill. Team members at Park Plaza Victoria London donated dry goods, cereals and canned items to a charity that caters for vulnerable families as well as toilet rolls, toiletries and soaps to a homeless outreach centre; and our colleagues in Berlin donated 250 chocolate bunnies to a local charity for Easter. Park Plaza Utrecht offered complimentary rooms for parents staying with or visiting their children at a local oncology hospital. We were also pleased to hear of several grass-root initiatives spearheaded by team members who organised bake sales, sold face masks or otherwise raised money for a charity of choice.

70 team members seconded to St Thomas' & Guy's Hospitals, London

24,000 meals provided over 6 weeks at a local London church

Donated 35 LCD television sets to a Croatian hospital

Park Plaza Westminster Bridge London donated 2,000 meals

Berlin team members donated 250 chocolate bunnies to a local charity

Holmes Hotel London delivered 78 boxes of chocolate Easter eggs to St John's ambulance

36 volunteers prepared packed food boxes for the elderly residents in Lambeth

Croatian team members prepared +6,000 packed lunches for hospital staff

Our Planet

Our goals:

1. Reduce carbon footprint
2. Reduce water usage
3. Reduce waste and recycle more
4. Increase the use of ethically sourced and eco-friendly materials

Sustainable Development Goals:

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

An area of focus

We understand that the way we do business can have a significant impact on the world around us and that all of us have an increased level of responsibility in this area. Assessing our climate and impact on the world around us, be it our operational ecosystem and cultural atmosphere or the environmental footprint of our operations, is and will continue to be an area of focus for our Board.

As a company that develops, owns/co-owns and manages many of our properties, we are in a unique position when it comes to integrating sustainability into our business from the point of development all the way to day-to-day operations. This, in turn, enables us to deliver long-term value for all our stakeholders.

2020: Investing in the wider climate and doing more to ensure we protect the planet which sources our every supply.
Where possible, we work with local certification agencies to have our operations certified. These are local to our operations and are internationally recognised by the Global Sustainable Tourism Council. More than two-thirds of our owned/managed hotels in the UK, the Netherlands, Hungary, Germany and Croatia are certified by Green Key, Green Globe, Green Tourism, Travelife or in accordance with the relevant ISO standard, as appropriate. We strive to continually improve our social and environmental performance year-on-year.

Green accreditations and certifications

NETHERLANDS

Green Globe

Park Plaza Amsterdam Airport

Park Plaza Victoria Amsterdam

art'otel amsterdam

Green Key

Gold
Park Plaza Vondelpark, Amsterdam

Gold
Park Plaza Eindhoven

Gold
Park Plaza Utrecht

GERMANY & HUNGARY

DIN EN ISO 50001:2018

Park Plaza Wallstreet Berlin Mitte

Park Plaza Berlin Kudamm

Park Plaza Nuremberg

art'otel berlin mitte

art'otel berlin kudamm

art'otel cologne

art'otel budapest

UK

Green Tourism

Gold
Park Plaza Westminster Bridge London

Gold
Park Plaza County Hall London

Gold
Park Plaza London Waterloo

Gold
Park Plaza London Riverbank

Silver
Park Plaza Victoria London

Gold
Park Plaza Nottingham

Silver
Park Plaza Leeds

CROATIA

Travelife

Gold
Park Plaza Belvedere Medulin

Gold
Hotel Medulin

Blue Flag Beach

Yacht Beach, Park Plaza Verudela Pula

Energy and emissions

Heating and cooling represents the majority of our energy consumption. Continual improvement of energy performance, including energy efficiency, energy use and consumption is a key metric for us.

For properties in development, we consider sustainability from the start with, for example, our art'otel london hoxton targeting for BREEAM assessment 'excellent'. For existing properties, refurbishments are planned with the latest efficient fittings and a robust design that ensures our assets are built to last.

Investment projects into existing properties that we completed in 2020 included new air-cooling systems, new high-efficiency boilers and water systems, heat pumps, double-glazed windows, new laundry machines, occupancy sensors and automated lighting, replacement of existing lights with more energy efficient LEDs and more. 2021 will see the completion of various other capital investment and other projects such as, for example, Hotel Brioni Pula with works being done on the façade, replacement of old windows, new air-cooling system, new energy-efficient boilers and more – all in line with the most recent climate-related regulations.

art'otel berlin mitte: thinking a decade ahead

In January 2020, art'otel berlin mitte became the first hotel in Germany to install the next-generation air cooling system AirBlue. This three-ton device improved the energy efficiency, reduced energy consumption and operating noise while increasing the cooling capacity. It covers all of the hotel's guest bedrooms, conference and food and office spaces. The new system works with a natural refrigerant and already meets the legal requirements of the European Union, which will only come into force in a decade, in 2030.

On an operational level, team members actively engage our guests to reduce their impact on the environment through the reduction of water, electricity and cleaning materials used in our properties. This includes our 'Save tomorrow, today' programme that rewards guests for opting out of daily cleaning services participating in a linen and towel reuse programme. We also offer our guests low emissions vehicle alternatives, such as bicycles, and electric car charging facilities, where possible and relevant. Thus, more than two-thirds of our hotels offer bike rentals within the hotel or in close vicinity.

In the second quarter of 2019, we introduced carbon neutral meetings and event spaces for our guests. With Radisson Hotel Group, we are working with First Climate, one of the largest carbon offsetting organisations in the world, to offset our carbon footprint for every meeting space. This is a service that is totally free to our meeting space customers. For every meeting or event held at a Park Plaza hotel or art'otel, the carbon footprint of the meeting space and services is offset through projects in the USA, Peru, Turkey, Kenya and India. All offset projects are VCS or Gold Standard certified. Although 2020 saw some major disruptions to meeting & events operations, in 2019 the programme helped us to offset 780 tonnes of CO_2 proving its potency for success. This programme is expected to continue in 2021.

Water stewardship and biodiversity

We currently have no operations or development projects in countries considered 'Extremely-high' or 'High' for baseline water stress, nor in areas considered 'Extremely-high' or 'High' for overall water risk . Nevertheless, we recognise that water stress poses a serious threat to livelihoods and business stability and we continue to invest in water efficient technology and encourage guests to consider the environment and save water.

In line with our commitment to reduce water consumption at source, in 2020 we continued the introduction of water-saving bathroom mixers and general investment in our water systems. These included, for example, Verudela Beach Apartments with 300+ new shower heads and taps that use less water or Park Plaza Verudela Pula where more than one kilometre of water pipes was replaced. These are in addition to our existing initiatives in various other hotels, such as eco shower heads, water-softening systems to reduce limescale, collection of grey water, Ozone cleaning of guest rooms and more.

Our Planet continued

Hotel for bees

Bees play a critical role in healthy ecosystems and through their pollination, they are essential for food production. Sadly in recent years, changes in our environment have meant that bees are significantly declining in numbers. In 2019, Park Plaza London Waterloo partnered with Dr. Luke Dixon – an expert in rooftop beekeeping and a member of the British Beekeepers Association – to create a safe haven atop its fourth floor, giving the bees an opportunity to form colonies and produce local honey, leaving the bees with ample honey to thrive. London's mild climate and wide range of food has provided a welcome environment and our rooftop is now home to 140,000 honey bees. Fresh honey collected is used in the menu of our all-day dining restaurant, Florentine, where 10% of the sales go to the Bee Friendly Trust charity.

As our Hotels for Bees at Park Plaza London Waterloo proved to be a success, in May 2020 we expanded this initiative to Park Plaza Nottingham that is now a home to approximately 30,000 bees. Our team tended to the hive twice a month during summer and left all the harvest in the hive to provide feed for the bees to survive over the winter. The bees have cemented themselves in their hive surviving a number of large storms and high winds, which provides us with a lot of confidence of a strong harvest in 2021.

11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Hotel for trees

Our hotel for Trees, the Park Plaza Vondelpark, Amsterdam continues to grow its 300-square-meter garden and pond, welcoming local birds and critters alike. The focus on growing a natural enclave on the hotel grounds encourages a harmony between the hotel operations and the wildlife residents of Vondelpark.

The garden with a pond was created in 2019 with the help of a local Amsterdam landscape designer to provide refuge to local wildlife. It provides a good shelter for animals and insects and the pond is an ecological system with its own biodiversity of plants, animals and insects. The trees, shrubs, plants and bushes chosen were a combination of both cultivated and native to the region. The eco balance was carefully thought through so the garden would not need regular maintenance with the flora existing in harmony. Thus, nature is left to her own devices with minimal human intrusion and minimal disturbance to the wildlife. A big percentage of the garden at Park Plaza Vondelpark, Amsterdam is also used as plant borders. The borders have a high density of plants, preventing the ground from drying out quickly acting as a natural water management system for dry summers.

11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Hotel for the seas

We care about the world around us and have taken measures to protect our beaches and oceans. Our Croatian subsidiary, Arena Hospitality Group, was recently awarded a Blue Flag plaque for their 16th year of ongoing activities to promote sustainability in the tourism sector, through environmental education, environmental protection and other sustainable development practices relating to the beach serving Park Plaza Histria Pula.

The Blue Flag programme is a global programme recognising beaches, marinas, and sustainable boating tourism operators. To qualify for the Blue Flag, a series of stringent environmental, educational, safety, and accessibility criteria must be met and maintained. The aim of the Blue Flag programme is to connect the public and their surroundings while encouraging them to learn more about their environment.

11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Waste and use of resources

Finding a solution to reducing food waste was one of the key priorities for our Waste Strategy Steering Group. In 2020, we ran a pilot project with a global marketplace for unsold, surplus food with four of our properties joining the trial in the UK and the Netherlands. Although the project only lasted for three months after which it was out into hibernation due to the pandemic, it showed great potency with more than 500 meals prevented from being thrown away. This work is expected to continue in 2021.

By December 2020, all single-use plastic cutlery, cups, straws and stirrers from all hotels in the UK, the Netherlands, Germany and Hungary were replaced with more environmentally friendly alternatives.

Where appropriate, we upcycle or donate to charity or local community groups to avoid waste. In January 2020, together with a national linen distributor, we donated 26 pallets of linen, towels and bathmats to Clean Conscience, a UK charity that redistributes and repurposes toiletries and other items. Included in those, were 500 pillowcases which are now used by an NHS hospital in London as wash bags.

Our Waste Strategy Steering Group will continue to look for effective solutions to reduce our waste and use of resources.

Support mitigation of climate change

We embrace opportunities to work collaboratively via our collective networks. Through our relationship with the Radisson Hotel Group, we work with the Sustainable Hospitality Alliance (previously known as the International Tourism Partnership). The Alliance, which covers more than 25% of the hotel sector worldwide by rooms, is committed to driving continued action on climate.

Team member working at St. Thomas' Hospital

The Strategic Report was approved by the Executive Leadership Team and will be reviewed regularly for materiality and signed on its behalf by Boris Ivesha.

Boris Ivesha
President &
Chief Executive Officer

Together we innovate and evolve

Kevin McAuliffe
Non-Executive Deputy Chairman

SECTION 172

In accordance with the UK Corporate Governance Code 2018, which incorporates section 172 of the UK Companies Act 2006, and as a matter of good governance, in our decision-making the Board considers the interests of the Group's employees and other stakeholders, where appropriate and understands the importance of taking into account their views and considers the impact of the Company's activities on the community, environment and the Group's reputation as well as the need to act fairly as between shareholders.

In its decision-making, the Board also considers what is most likely to promote the success of the Company for its stakeholders in the long term. Each Director acts in a way which they consider, in good faith, will promote the success of the Company for the benefit of the stakeholders as a whole and in doing has regards to the key stakeholder groups. Information on how the Directors carried out their section 172 duties can be found in the Stakeholder Engagement section on page 68 to 71.

Read more about – How the Board is kept informed of stakeholder views and consideration of views of stakeholders in decision-making on pages 68 to 71

Read more about – How we manage our emerging and principal risks on pages 31 to 41

Read more about – Corporate governance framework on pages 82 to 118

Dear Stakeholder,

I welcome the opportunity to provide this update on our governance throughout 2020 as well as a glimpse into where we intend to go as the world moves into a recovery mode.

As Deputy Chairman, my role centres around the Company's ongoing governance journey. We commenced the 2020 year following significant evolution in our approach to governance, environmental and social initiatives and with further plans to continue that journey. The speed of change that occurred to our society in the earlier months of the COVID-19 pandemic, and the impact of that change on the business meant the actions and decisions we took severely stress tested the strength of our governance programme.

We were required to make quick decisions to secure our future strategy and to do so in a manner which took into account the concerns of every stakeholder group.

I am pleased to say that our governance programme satisfied our own expectations and ensured balanced delegation of authority between the Board and the Executive Leadership Team.

Our leadership role

Our Board provides the Group with entrepreneurial leadership within a framework of prudent and effective controls enabling risk to be assessed and managed alongside the strategic aims of the Group. Our role, collectively as a Board, remained constant and reliable, even in the face of pervasive operational changes caused by the pandemic.

In 2020, our Board continued to carry out its role in setting the Group's strategic aims, while supporting the Executive Leadership Team measures to maintain the Company's position and safeguard its key assets during limited operations.

Through ongoing discussions with the Executive Leadership Team, we were able to carry out our role in ensuring that the necessary financial and human resources remained in place for the Group to meet its objectives, review management performance, maintain values and standards and ensure that its obligations to its stakeholders were understood and met as appropriate. Our Committees were particularly active this year, both with their ongoing governance duties and in supporting the business through its operational restrictions.

Reflecting on the lessons learned in 2020

As we look back, we are proud of how the culture and values of the Group were demonstrated through the voices and actions of our individual team members. Through our collective actions, we created value for our stakeholders whenever and wherever we could and in particular for our local communities and the front line emergency services as detailed in our Responsible Business Section.

We have also accelerated the introduction and integration of a number of new technologies and working practices into our governance programme this year. These modernisations were swiftly implemented in the second quarter of 2020 and adopted to provide continuity, and increased communication access despite limitations on travel and physical meetings.

To fully integrate these technologies, our Articles of Incorporation were amended by shareholder vote at our AGM so as to allow Directors to attend Board meetings via conferencing from any location.

Additionally, we were prompted to carry out most of our Board induction programme on a remote basis for our 2020 Non-Executive Director appointments, Nigel Keen and Stephanie Coxon.

For more details see the Nomination Committee report on page 99 to 102

As a business, our great strength remains unchanged, we are at our heart a collective of individuals who are passionate about hospitality, service and development. As such we understand the value of quick decisions, maintaining a careful view on the granular details of our operations and the value of delegating appropriate authority and support to our trusted leadership teams to act in accordance with our purpose and strategy as a business. Hospitality is after all a pursuit of individuals acting with care and collaboration to create experiences that respond to each individual.

Delegation of authority and support to make the right decisions

This year brought assurances that our governance practices are cemented into our culture and our working practices. I believe our Board and Executive Leadership Team were well structured to act as a collective, decision making group, with clearly defined roles and delegations of authorities. This integration of best practice governance principals gives me faith that this business, and its leadership, are well equipped for a speedy recovery and well placed to take advantage of growth opportunities as they present themselves.

In this report you will see references to: our existing governance from 2019 alongside the progress of the key areas where 2020 saw the implementation of new processes in alignment with the principles of the 2018 Corporate Governance Code (the "Code") and a signpost of our intentions/ plans as part of our evolving governance journey.

For example, in our Workforce Engagement section (pages 94 to 95), you will see how we plan to improve our workforce engagement in a new, more socially distant and remote working environment and the steps taken in 2020 to ensure that our workforce policies are consistently understood and embedded as part of our culture.

This corporate governance statement sets out how we applied the principles of the Code during 2020 and, where we have not complied with provisions of the Code, explains the reason for the divergence and how we aim to address any such divergence in the future.

Kevin McAuliffe
Non-Executive
Deputy Chairman

BOARD'S ACTIVITIES 2020

A. Strategy, operational performance and risks

- Regularly received operational updates from the Executive Leadership Team
- Regularly reviewed potential growth & development
- Regularly reviewed principal risks
- Reviewed the results of and evaluated the performance of the external audit
- Regularly reviewed the results of and evaluated the performance of the internal audit and evaluated Executive Leadership proposals on managing risks

B. Financial performance

- Regularly received updates from the Chief Financial Officer and head of Internal Audit & Risk
- Regularly reviewed details of Group's performance against budget and the Group's financial position, including cash flow forecasts
- Reviewed and approved the full- and half-yearly results and associated announcements and the trading updates
- Considered interim and final dividend recommendations and declarations
- Review the pipeline and capex requirements
- Review compliance with banking facilities

C. Succession and talent

- Reviewed and considered management incentive plans and remuneration policies for Non-Executive Directors, Executive Directors, and senior management
- Reviewed gender balance of the Company and senior management and Board Diversity Policy
- Considered succession planning for Board
- Regularly reviewed structure, size and composition of the Board
- Received and considered the results of the review of the effectiveness of the Board and its composition (including skills, knowledge, experience and diversity)

D. Stakeholder engagement and governance

- Received regular reports from the chair of each committee
- Received regular reports and updates from Company Secretary and from the Chief Corporate & Legal Officer
- Reviewed governance standards of the Group and its subsidiaries
- Reviewed Group's Code of Conduct
- Reviewed Group's Whistleblowing Policy and routinely reviewed the reports arising from its operation
- Reviewed other principal Group policies
- Received regular updates on investor relations and updates from investor presentations

BOARD OF DIRECTORS

Eli Papouchado
Non-Executive Chairman

- Chairman of the Group since formation
- Founder of the Red Sea Group and acted as its Chairman for 10 years
- Wealth of experience in the construction, design, development, financing, acquisition and management of leading hotels, including Park Plaza Westminster Bridge London, Park Plaza London Riverbank and many others
- Involved in the development of hundreds of thousands of square metres of retail space in shopping malls and large residential projects in the USA, Eastern Europe and the Middle East
- Served as Chairman of the Israel Hotel Association

External appointments:
N/A
Board committees:
N/A
Independent:
No
Year of first appointment:
2007

Yoav Papouchado
Alternate Director

- Chairman of the Red Sea Group
- Real estate developer with over 30 years of experience of residential developments and data centres worldwide
- Deputy Chairman of the Supervisory Board of the Arena Hospitality Group, listed on ZSE
- President of Gear Construction, the construction arm of the Red Sea Group

External appointments:
Chairman, Red Sea Hotels Limited; President, Gear Construction; Deputy Chairman of the Supervisory Board, Arena Hospitality Group
Board committees:
N/A
Independent:
No
Year of first appointment:
2020

Boris Ivesha
President & Chief Executive Officer

- President of the Group since 1991
- Brought Park Plaza® Hotels & Resorts brand to the Group in 1994 in collaboration with the Red Sea Group
- Major influencer in the expansion of the Group's portfolio
- Established the Yamit Hotel, Israel in 1984 and served as its President
- Director of the Carlton Hotel in Israel (1979–1984)
- General Manager of the Royal Horseguards Hotel in London (1972–1979)
- Chairman of the Supervisory Board of the Arena Hospitality Group, listed on ZSE

External appointments:
Chairman of Supervisory Board, Arena Hospitality Group
Board committees:
N/A
Independent:
No
Year of first appointment:
2007

Daniel Kos
Chief Financial Officer & Executive Director

- Appointed Chief Financial Officer in January 2018
- Previously Vice President Corporate Finance of the Group, which he joined in 2011
- Held, prior to joining the Group, various senior leadership positions within auditing and finance, including at Mazars LLP
- Certified Public Accountant (Register Accountant)

External appointments:
N/A
Board committees:
N/A
Independent:
No
Year of first appointment:
2018

Kevin McAuliffe
Non-Executive Deputy Chairman

- Former Member of the Society of Trust and Estate Practitioners and a Director of various regulated investment companies
- Retired Chairman of Carey Group (joining as Chief Executive in 1999)
- Head of Advisory Services for Paribas International Private Banking and Managing Director of Paribas Suisse in Guernsey (1992–1999)
- Served as Finance Director of Ansbacher offshore banking Group, appointed as Chief Executive Officer of Ansbacher's Guernsey bank and trust company business in 1994
- Held posts in three different departments in the States of Guernsey (1973–1980)
- Member of the Supervisory Board of the Arena Hospitality Group, listed on ZSE

External appointments:
Supervisory Board Member, Arena Hospitality Group
Board committees:
NC
Independent:
No
Year of first appointment:
2007

Nigel Keen

Non-Executive Director
& Senior Independent Director

- Chartered Surveyor
- Former head of property at Tesco
- Former head of property at the John Lewis Partnership
- Vistry Group Plc Remuneration Committee Chair and member of both audit and nominations committees

External appointments:
Non-Executive Director, Vistry Group Plc; Non-Executive Director, RG Carter

Board committees:
NC, AC, RC

Independent:
Yes

Year of first appointment:
2020

Kenneth Bradley

Non-Executive Director

- Former Guernsey Island Director at RBS, with focus on corporate banking and structured finance
- Former Guernsey Island Director and Chief Country Officer at Barclays Bank, overseeing their Banking and Fiduciary business, whilst having responsibility for businesses in five other jurisdictions

External appointments:
Chairman of a Guernsey subsidiary of a Private Bank; Director of a Private Fiduciary Company and a small Finance Company

Board committees:
NC, AC, RC

Independent:
Yes

Year of first appointment:
2019

Nigel Jones

Non-Executive Director

- Chartered Surveyor
- Chief Executive of ComProp Limited (2001–2007) while it traded as an AIM-listed property company
- He was responsible for major office developments including headquarter offices for Fortis, Kleinwort Benson and Generali, along with retail stores for B&Q and Waitrose.
- Retired from the Board 19 May 2020

External appointments:
N/A

Board committees:
AC, NC, RC

Independent:
Yes

Year of first appointment:
2007

Dawn Morgan

Non-Executive Director

- Fellow of the Institute of Chartered Accountants in England and Wales
- Finance Director and Company Secretary of International Energy Group Limited (2004–2013)
- Main Board Company Secretary of International Energy Group Limited (2000–2004)
- Group accountant of International Energy Group Limited (1994–2000)
- Appointed to the Board on 19 May 2016
- Retired from the Board on 30 September 2020

External appointments:
N/A

Board committees:
NC, AC, RC

Independent:
Yes

Year of first appointment:
2016

Stephanie Coxon

Non-Executive Director

- Qualified chartered accountant
- Former capital markets director at PwC, responsible for advising asset managers on listing investment funds and real estate investment trusts (UK, Guernsey and Jersey) on the London Stock Exchange
- She also advised on ongoing obligations, corporate governance, accounting policies and reporting processes
- Independent Non-Executive Director of Apax Global Alpha Limited (Audit Committee) and JLEN Environmental Assets Group Limited (Audit, Risk and Investment Committees)

External appointments:
Non-Executive Director, Apax Global Alpha Limited; Non-Executive Director, JLEN Environmental Assets Group Limited; Non-Executive Director, PraxisIFM Group Limited

Board committees:
NC, AC, RC

Independent:
Yes

Year of first appointment:
2020

LEADERSHIP TEAM

Boris Ivesha

President &
Chief Executive Officer

Boris has been President and Chief Executive Officer of PPHE Hotel Group since 1991.

He was responsible for bringing the Park Plaza® Hotels & Resorts brand to the Group in 1994 in collaboration with Eli Papouchado and the Red Sea Group, and has been a major influencer in the expansion of the Group's international portfolio.

In previous roles, Boris established the Yamit Hotel in Israel in 1984 and served as its President and was Director of the Carlton Hotel in Israel from 1979 until 1984 and General Manager of the Royal Horseguards Hotel in London from 1972 until 1979. He is on the Arena Hospitality Group Supervisory Board as Chairman and was appointed to the Group Board on 14 June 2007.

Daniel Kos

Chief Financial Officer
& Executive Director

Daniel joined the Company in 2011 as Group Head of Accounting. Daniel was promoted to the role of Vice President Corporate Finance in 2015. Further promotion followed in 2018 when he was appointed Chief Financial Officer and Executive Director of the Company.

Prior to joining the Company, Daniel held senior leadership positions within auditing and finance, including 11 years at internationally recognised accounting, audit and consulting group Mazars LLP focusing on hospitality, real estate and financial service companies.

Daniel is a Certified Public Accountant.

Greg Hegarty

Deputy Chief Executive Officer &
Chief Operating Officer

As Deputy CEO, Greg works alongside the Group's President & CEO Boris Ivesha driving the corporate vision and growth strategy for the Group.

In addition, Greg has overall responsibility for the day-to-day running of the Group's operations whilst creating and implementing commercial and operational strategies, which include, but are not limited to, Operations, People & Culture. Greg holds a Master Degree in Business Administration (MBA) and brings over 22 years of experience in the hospitality industry including senior management roles at global brands such as GLH Hotels and BDL Hotels.

In 2004 Greg won a prestigious Acorn Award, which recognises the flair and passion of rising stars in hospitality, and has further shown his commitment to the industry by becoming a Fellow of the Institute of Hospitality and a Master Innholder.

Inbar Zilberman

Chief Corporate &
Legal Officer

Inbar joined the Group in 2010. Inbar oversees the Group's corporate initiatives including acquisitions, expansions, corporate governance, shareholders' engagement, and corporate social responsibility while continuing to lead the multi-jurisdictional legal and compliance functions. Inbar brings an expertise in negotiations and deal execution and has a pivotal role in developing the Group's corporate governance, the move to a Premium Listing on the Main Market and subsequent inclusion within the FTSE.

Prior to joining the Group, Inbar was in the corporate finance team at the law firm Berwin Leighton Paisner LLP (now Bryan Cave Leighton Paisner LLP) in London and formerly a partner at the Israeli law firm, Bach, Arad, Scharf & Co. Inbar holds an LLB from Tel Aviv University and an LLM from the LSE. She is a qualified solicitor in England, Wales and Israel.

Robert Henke

Executive Vice President Commercial Affairs

Robert oversees all commercial activities including Sales, Distribution, Reservations, Customer Service, Revenue, Digital Marketing and CRM as well as Brand Marketing, Guest Experience and Communications (including brand strategy, brand development, management of the Group's strategic partnership with the Radisson Hotel Group and corporate communications).

He has more than 20 years' experience in international hospitality and first joined the Group in 2001, when he was involved in the opening of the Group's hotels in the United Kingdom and the successful implementation of Radisson Hotel Group's marketing programmes and systems. He rejoined the Group in 2007 and since then has significantly developed the central commercial organisation, creating and leading a multi-disciplined, international team of specialists.

Prior to joining PPHE Hotel Group, he held international Marketing positions at Golden Tulip Worldwide and Hilton Hotels Corporation. He holds a Bachelor's Degree in Hotel Management Business Administration from Hotelschool TheHague, with a major in Marketing.

Michelle Wells

Regional Vice President Operations, Netherlands

Michelle has held a number of management positions at PPHE Hotel Group over a period of 12 years, originally joining as General Manager, Park Plaza Sherlock Holmes London in 2007. Michelle moved to the role of General Manager of sister hotel Park Plaza County Hall London in 2014 and then onto Park Plaza Victoria London in 2016. Promoted to the newly created role of Vice President Operations, the Netherlands in 2019, Michelle oversees all operational, revenue, finance, marketing and sales strategic objectives for the region on behalf of six properties.

Michelle brings a strong operational and commercial background to the business and educational qualifications including the highly acclaimed completion of the General Managers Programs in strategic management at Cornell University in the USA, is a Master Innholder and a holder of the Freedom of the City of London.

Daniel Pedreschi

Regional Vice President Operations, United Kingdom

Daniel oversees all UK hotels, restaurants and bars in collaboration with each individual General Manager, as well as focusing on new property developments and the general PPHE Hotel Group strategy.

Daniel has been with the Company since 2009, originally taking the position of Hotel Manager at Park Plaza Westminster Bridge London and in 2011 he moved to the General Manager position. In October 2013, Daniel took on the additional role of supporting the Central Reservations Office as a General Manager alongside his existing responsibilities.

With over 20 years' experience, Daniel's passion for hospitality and attention for detail have always been key drivers in his career, striving to find improvements to always keep ahead of the competition and enhance our position in the industry.

Jon Colley

Executive Vice President Acquisitions & Development

Jon joined PPHE Hotel Group in 2021 as Executive Vice President Acquisitions & Development and, along with his team, is responsible for the implementation of the Group's strategic acquisition and development strategy. Jon brings a wealth of experience of over 20 years working within the hotel real estate and financial sectors. Jon was most recently the Head of Development UK & Ireland for IHG Hotels & Resorts, responsible for the growth and development of their brands. Prior to IHG, Jon was the CEO of a publicly listed South African hotel real estate investor that was expanding its hotel ownership across Europe. He also brings further experience from his position of Development Director at Hilton Worldwide, responsible for growing the Hilton stable of brands, and from his roles in the banking sector with institutions such as GE, Barclays Bank and RBS Group.

Jaklien Van Sterkenburg

Executive Vice President People & Culture | Head of HR

Jaklien joined the Group in 1995 as Director of Sales at Park Plaza Victoria Amsterdam, before being promoted to Regional Director of Sales and Vice President of People Development and Human Resources, having also gained operational hotel experience as an interim Hotel Manager.

Her passion for working with people to achieve their goals and developing them was instrumental in Jaklien's decision to switch to the role of HR Manager for the hotels in the Benelux Union while simultaneously supervising hotels in Germany and Hungary. Jaklien then moved onto her role of Vice President HR for the Group.

Jaklien began her career with Sofitel Legend The Grand Amsterdam and has worked for Accor hotels in senior Sales roles. She is a graduate of the NHTV, the University of Applied Sciences.

CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE

For the year ended 31 December 2020, the Board believes that the Company has applied all the principles of, and complied with all provisions of, the Code, except as set out in this governance statement as required by the Financial Conduct Authority's (FCA) Listing Rules (which include the 'comply or explain' requirement). We comply with corporate governance requirements pursuant to the FCA's Disclosure Guidance and Transparency Rules by virtue of information included in this governance section of the Annual Report. The relevant documents can be found online at:

The relevant documents can be found online at:

- www.frc.org.uk, for the Code; and
- www.handbook.fca.org.uk, for the FCA's Disclosure Guidance and Transparency Rules sourcebook as well as Listing Rules.

DIVISION OF RESPONSIBILITIES

Role and responsibility of the Chairman, Deputy Chairman, Senior Independent Director and Chief Executive Officer. The Board recognises a clear separation of roles between the Chairman, Deputy Chairman, Senior Independent Director and Chief Executive, with each having separate duties and accountabilities and collectively ensuring effective communication with stakeholders and reviewing and agreeing issues of Group-wide significance.

The Chairman is responsible for strategic leadership of the Board. In 2020, an Alternate Director, Yoav Papouchado, was appointed to carry out his duties on any occasions at which he is unable to attend a meeting.

The Deputy Chairman fulfils the governance and internal control functions of the Board, leads the formal proceedings of Board Meetings and is the primary liaison between the Board and Executive and other Directors.

The President & Chief Executive Officer runs the Company's business and leads the Executive Leadership Team. The Senior Independent Director acts as a sounding Board for the Chairman and/or Deputy Chairman.

The Deputy Chairman acts as the primary Board liaison to the workforce.

DIVISION OF RESPONSIBILITIES

Eli Papouchado
Chairman

Role

Responsible for the leadership of the Group and overall effectiveness of the Board and for setting the Board's agenda with a focus on the strategy of the Company.

Responsibilities

- Leading the strategy
- Setting the agenda and strategic priorities for the Board
- Setting key Company objectives
- Promoting a culture of openness and debate
- Ensuring that the views of key stakeholders are communicated to the Board
- Regular contact with the Company's Executive Leadership Team and relevant function heads

Kevin McAuliffe
Deputy Chairman

Role

Ensures the appropriate governance structure and functioning of the Board. Liaises with Executive Leadership Team and key management positions to ensure that the Board is well-equipped to perform its duties and effectively carry out its functions.

Responsibilities

- Oversees corporate governance for the Board and ensures appropriate and tailored standards are in force to comply with the Code
- Monitoring the induction programme in place for new Non-Executive Directors
- Ensuring the Directors are receiving and have access to clear and timely information as needed to make key decisions
- Oversees annual Board and Committee evaluations and puts in place a plan to act on the results of the evaluation
- Communicating with key stakeholders and independent shareholder groups, with the support of the Chief Corporate & Legal Officer and Chief Financial Officer
- Consulting with Remuneration Committee about executive remuneration
- Appointing designated Non-Executive Director for workforce engagement
- Appointed to the Supervisory Board of Arena Hospitality Group, the Company's listed subsidiary

Boris Ivesha
President & Chief Executive Officer

Role

The Chief Executive Officer is responsible for the management of the Group and the implementation of the Board strategy and policy on the Board's behalf. In discharging his responsibilities, the Chief Executive Officer is advised and assisted by the Executive Team and key management functions.

Responsibilities

- Leading and managing the business:
- Implementing the strategy and reports on proposed direction
- Overseeing the senior management and the talent pipeline
- Appraising the performance of each member of the team, seeking out training, development and resources where needed for the Executive Leadership Team and management function heads
- Carrying out the strategy of the Company and implementing successful approaches to operate in line with the strategy, values and purpose of the Company;
- Formulating remuneration proposals and working with the Remuneration Committee where appropriate
- Running the business and being the key decision maker on day-to-day Company business

Nigel Keen
Senior Independent Director

Role

Provides a sounding board for the Chairman and Deputy Chairman, serving as an intermediary for other Directors where necessary being available to shareholders and leading in the performance review of the Deputy Chairman.

Responsibilities

- Challenging the Board where relevant to help in developing proposals on strategy and objectives
- As Chair of the Remuneration Committee ensures, with the Deputy Chairman and the members of the Remuneration Committee that there is a clear relationship between remuneration and performance, measured with clear reference to the long-term success of the Company

BOARD RESPONSIBILITIES

Strategy. Define and set long-term objectives ensuring the necessary resources are available for the business to develop and grow in a sustainable way.

Culture. Promote a guest-focused culture, valuing integrity, transparency and respect. Working as a company building opportunities for career progression and personal growth for team members through training, development, a service mentality and ensuring our team members feel valued and empowered to succeed.

Performance. Regularly review the performance of the Group in light of its business strategy, objectives, business plans and budgets, and ensure that any necessary corrective action is taken.

Governance. Oversee resourcing, ensuring the tools are available for management and the Group as a whole to meet its objectives and measure performance against them. Ensure workforce policies and practices are both ethical and consistent with the Company's values and long-term objectives, management is capable and effective and sound planning is in place. Monitor the effectiveness of internal controls, risk management policies and compliance with all statutory and regulatory obligations across our multi-jurisdictional portfolio.

Sustainability. Regularly review business strategy to ensure that it remains appropriate for any cyclical and structural changes in the industry. Manage risk and regularly assess the adequacy and effectiveness of mitigation measures, oversee controls and ensure commercial strategy is modelled for resilience and challenging market conditions. Embed a culture that rewards personal and team performance aligned to our strategic and financial objectives to maintain and attract top talent.

Stakeholder communications. Build and maintain successful relationships with a wide range of stakeholders, created on trust, transparency and mutual respect. Understand what matters to key stakeholders. Ensure an open discussion on objectives and constructive dialogue with all stakeholder groups.


Park Plaza London Riverbank

Board composition
As of 31 December 2020, the Company had seven Directors, five of whom were Non-Executives (including the Chairman, Eli Papouchado), three of whom were considered independent. The Deputy Chairman, Kevin McAuliffe, is no longer considered independent as of 2019, given his tenure on the Board. The Chairman, Eli Papouchado, is not considered independent as he is the founder of the Company (for more details see Appointment of Chairman below).
The two Executive Directors are Boris Ivesha, President & Chief Executive Officer, and Daniel Kos, Chief Financial Officer. Dawn Morgan retired from the Board in September 2020. Stephanie Coxon joined the Board in August 2020 and was appointed as Audit Committee Chair in September 2020. Stephanie will stand for her first election to the Board at the next Annual General Meeting, alongside all other Board members who stand for re-election at the forthcoming Annual General Meeting in 2021.

Our Board Policies
Our Board is empowered to carry out its duties, with consideration to the various terms of reference in place:

- Articles of Incorporation
- Board Diversity Policy
- Division of Board Responsibilities: Non-Executive Directors
- Dealing and Disclosure Policy
- Conflicts of Interest Policy
- Schedules of Matters Reserved for the Board
- Terms of Reference: Audit Committee
- Terms of Reference: Nomination Committee
- Terms of Reference: Remuneration Committee

Governance journey: updating policies
The Board reviews all governance policies periodically to ensure the policies remain current and appropriate to the needs of the Board and Company.

In addition to the policies that are subject to annual review, during the year the Directors approved a refreshed Schedule of Reserved Matters and Terms of Reference for Nomination Committee.

The updated Schedule of Reserved Matters sought to update the existing Terms to align with current practices. This amended Schedule of Reserved Matters establishes the key purpose of the Board and details its major duties.

These duties cover the following areas of responsibility:

- Statutory obligations and public disclosure
- Strategic matters and financial reporting
- Oversight of management and personnel matters
- Risk assessment and management, including reporting
- Monitoring, governance and control
- Other matters having material effects on the Company

The Board and Committees are currently in the midst of revisiting the Terms of Reference for both the Audit and Remuneration Committees but in the interim, the Audit Committee reviewed and amended the Group's policy on engaging external auditors to supply non-audit services.

For more information on this policy, see the Audit Committee report on pages 106 to 109

Exercising oversight & ensuring adequate time to carry out duties

The Board receives accurate, timely and clear information which affords them the ability to have an open, constructive discussion and debate on material matters affecting the Group. Board meetings allow for ample time to discuss and debate matters. Non-Executive Directors are required to ensure that they have sufficient time to meet their Board responsibilities. All Committee members are expected to devote adequate time to consider the views of relevant stakeholders and all material information regarding issues falling within the respective committee's remit.

Stephanie Coxon was appointed to PraxisIFM Group Limited, a private client & corporate services company, as a Non-Executive Director. Prior to her external appointment the Deputy Chairman reviewed the appointment, the time commitment required and assessed that this appointment would not interfere with Stephanie's ability to carry out her role as Audit Chair, Director or Committee Member. The Deputy Chairman on behalf of the Board approved the same, giving due consideration to the application of Provision 15 of the Code.

EVALUATION OF DIRECTORS

Following this year's Board evaluation, the Board has set a number of administrative targets. The Deputy Chair, assisted by the Chief Corporate & Legal Officer, are acting on the outcome of the annual Board evaluation in a number of areas identified to improve and or modernise the approach to the work of the Board. For example, one such target is for the Audit Committee to work with the Executive Leadership Team to reformat the design of the monthly information packs.

For more information, please see Nomination Committee report on pages 99 to 102

Resourcing the Board to ensure it meets its objectives and measures performance against them

Our Board is empowered to carry out its duties with consideration to its statutory and contractual obligations in addition to various policies and terms of reference in place.

All Directors have access to the advice and services of both the Chief Corporate & Legal Officer and Company Secretary and are able to gain access to external independent professional advice at the Company's expense should they wish to do so in the furtherance of their duties.

The Terms of Reference for the Board set out that each Director may obtain independent professional advice at the Company's expense in the furtherance of their duties as a Director.

Advisory support to the Board by the Company Secretary and Chief Corporate & Legal Officer

The Chief Corporate & Legal Officer, with the support of our Company Secretary, C.L. Secretaries Limited ensure that the Board has the policies, processes, information, time and resources needed in order for the Board to function effectively and efficiently.

Specifically, the Company Secretary ensures that Board procedures are complied with and carries out responsibilities with respect to Companies (Guernsey) Law 2008 (as amended or replaced from time to time), the FCA's Listing Rules and Disclosure Guidance and Transparency Rules. The Chief Corporate & Legal Officer ensures that good information flows around the Board and senior management and that appropriate and timely information is provided to the Board and its Committees.

The Chief Corporate & Legal Officer is responsible for advising and supporting the Chairman, Deputy Chairman and the other Board members on all governance matters with the support of the Company Secretary.

The Chief Corporate & Legal Officer oversees the Group's compliance and ESG arrangements, practices and procedures, for the Group's subsidiary companies and throughout the workforce, to ensure that they are consistent with the standards and best practice of the Group and aligned with the directions of the Board and the risk appetite of the Group as set by the Board.

Board meetings – Promoting a culture of openness and debate

The Board promotes a culture of openness and debate, executing its responsibilities with care and consideration, ensuring that there is a clear division of responsibilities between the leadership of the Board and the Executive Leadership Team of the Group's business.

If any Director has unresolved concerns about the Company or its subsidiaries or a proposed action, these are recorded in the minutes of the meeting. There were no such occasions in 2020.

Board meeting procedures

At each Board meeting, standing agenda items were strategy and management updates from the Executive Directors and Executive Leadership Team who have been invited to attend or present in a meeting. The Deputy Chairman and Chief Corporate and Legal Officer update the full Board on corporate governance developments and an activity report is provided from each Board Committee Chair on their respective committee meetings and discussions. Additional items were added to agendas as and if required.

Notices & review of any conflicts arising

The Notices of Board Meeting and Agendas are formally circulated to the Board in advance of Board meetings as part of the Board papers and therefore Directors may request any agenda items to be added that they consider appropriate for discussion. At the beginning of each meeting, each Director must disclose the nature and extent of any conflict of interest arising generally or in relation to any matter to be discussed as soon as the Director becomes aware of its existence. Directors must also disclose their shareholdings and any changes to those that have occurred.

Conflicts of interest

The Board and all team members are required to comply with the Group's Conflicts of Interest and Significant and Related Party Transactions Policies. These policies are reviewed annually and compliance training is provided and refreshed regularly.

A formal procedure is in place for the reporting and reviewing of any potential conflicts of interest involving the Board with support from the Chief Corporate & Legal Officer. Any conflict of interest is to be disclosed without delay and strict procedures followed to ensure the conflict is fully evaluated and addressed. As a means of ensuring that the Board members are acting free from personal conflicts of interest, the annual Board assessment reviews the independence of its members, taking into consideration their positions and shareholding in other companies.

In line with our Conflicts of Interest Policy and Significant and Related Party Transactions Policy, a Director affected by a conflict of interest is not permitted to participate in formal discussions and decision-making involving the interest at stake. The Board does not believe there to be any inherent conflicts of interest other than ones already disclosed by each Director. Any statutory duties under Guernsey law that are in addition to the Conflicts of Interest Policy are complied with by the Directors.

Annual Committee assessment

Each Board Committee is assessed annually to ensure that it is functioning in line with the Terms of Reference and mandates set by the Code. In 2019, the Board identified a need to further review the Terms of Reference in line with the Code and began the process in 2020, which is ongoing and will be completed in 2021. The Nomination Committee Terms of Reference were updated in 2020 as part of this process.

Balance of independent Non-Executive Directors

The Code dictates that at least half of the Board, excluding the Chair, be made up of independent Non-Executive Directors. After due consideration was given to all factors that are likely to impair, or appear to impair, the independent judgment of each Director, the Board concludes that five out of the seven Non-Executive Directors who were in place during the 2020 year, maintained their independence throughout their respective tenures: Dawn Morgan, Ken Bradley, Nigel Keen, Nigel Jones and Stephanie Coxon.

The Board believes no one individual or a small Group of individuals dominates the Board's decision-making.

Non-Executive Directors overseeing management

The Company applies the spirit of Principle H and Provision 13 with regard to the role of the Non-Executive Directors in holding management to account and scrutinising the performance of management. It is noted that Principle H and Provision 13 are not strictly applied with regard to management who are held to account by the Chief Executive Officer and Executive Director.
The Company believes that the Board has ample oversight by delegating the role of overseeing management and scrutinising their performance to the Chief Executive who reports on the same to the Board. The Non-Executive Directors are kept abreast of management performance by the Chief Executive Officer. In addition, the management team met with the Non-Executive Directors on a monthly basis throughout 2020 and have established a permanent forum to ensure that information flows and transparency were well maintained to enable the Board the ability to effectively carry out its duties and make swift decisions. This open communication between the Non-Executive Directors and management has been found to be very effective as it allows the Non-Executive Directors to engage directly to ensure management takes corrective actions in a timely manner.

The Company applies Principle H with regard to the Non-Executive Directors having the delegated authority to hold to account the individual executive directors. The Company has not agreed performance objectives for the Executive Directors or senior management at this time. Given the impact of the pandemic, it did not seem prudent or in the interest of the long-term success of the Company to set rigid performance objectives for the Executive Directors or management for the 2020 or 2021 years.

Delegation and communication between the Board and Executives

One significant outcome of the 2020 Board Evaluations was on the increased interaction and appropriate delegation of authority between the Board and Executive Leadership Team. The Executive Leadership Team undertook changes in January 2020 when the Deputy Chief Executive Officer and Chief Legal & Corporate & Legal Officer were promoted into their respective roles.

See Nominations Committee Report for further details on pages 99 to 102

The changes resulted in the Board, in particular the Non-Executive Directors, having three key Executive stakeholders with whom to liaise with on much of the day-to-day operations of the business. This new team and their Board engagement was quickly put to task as the COVID-19 pandemic spread through Europe in March 2020. Although the structure itself was new the appointees had long service records with the Group and so the policy of promotion from within has meant the Board found that communication and balanced delegation of authority was a strength in the 2020 year. The 2020 Board Evaluation showed great support for the way in which the Executive, the Committees and the Board overall engaged in the year.

Division of responsibility between Executive Leadership Team and Board

The Company applies Principle G of the Code and has a division of responsibilities between the leadership of the board and the executive leadership of the company's business. Each member of leadership oversees certain defined departments of the business and reports on the progress of these areas as and when relevant.
The Company believes that this structure ensures effective communication between the Board and Executive Leadership of the Company's business, and that no small group of individuals dominates the Board's decision-making.

Salary Sacrifice Hospitality Action

Across the organisation, a number of senior roles have either forgone, deferred, or donated at least some portion of salary. The Chairman and Chief Executive Officer voluntarily gave up their entire remuneration for the second quarter of the year and deferred the same in the third and fourth quarters. The Executive Leadership Team and much of the combined leadership team undertook a 10%-20% salary reduction for three months in 2020. They further undertook a deferral in the same amount for four months, which was returned in November 2020 upon acknowledgement by the Executive Leadership Team that a longer deferral plan would be required to maintain cash flow. To enable this longer term deferral and as an incentive programme to retain talent at the leadership level, the 41 highest earners in the Company undertook a 10-20% salary deferral for a 12-month period for which they have been compensated by the issue of nil cost share options. Additionally, a long term incentive plan is interlinked which offers market price options which vest in three years, subject to good leaver provisions. This plan was based on the criteria and incentives approved in the 2020 Remuneration Policy.

For further details, see the Remuneration Committee report on pages 111 to 117

The Board contributed a portion of their remuneration to the charity Hospitality Action, a charity established in 1837 to offer vital assistance to all who work, or have worked within hospitality in the United Kingdom.

Culture and Values

As part of the management assessment, the Board reviewed a number of Company policies, procedures and team member training in 2020 to ensure that policies effectively communicate the Group's values and culture. Additionally, various Directors underwent the annual compliance training which is provided by the Group to all team members. Taking part in this training and reviewing the accompanying internal communications aids the Board in ensuring that the desired behaviours and culture are reinforced while overseeing the effectiveness of our risk mitigation procedures.

The Board directed the refresh of a number of policies, including the Code of Conduct which had been previously reviewed for publication in early 2020 and was considered again in light of the changes with regard to remote communications and work policies.

The aim of refreshing policies is to ensure they remain current, are adapted to our business and support the desired culture and behaviours of the Group. Our policies and procedures aim to set a framework to empower team members to carry out their duties in line with our values and ethos Whilst refreshing these policies, our Directors, particularly our Audit Committee, dedicated time to reviewing best-practice developments, assessing performance and optimising our approach to ensure that we remain relevant and our policies and procedures reflect the core values of the Group.

For more details, see our Audit Committee report on pages 106 to 109 for our Non-financial Reporting information.

As a Company, our governance focus has been on assessing and implementing meaningful and tailored controls and wider stakeholder engagement which support openness and accountability in delivering the long-term sustainable success of the Company and is in keeping with the principles set out by the Code.

Our Board continues to lead by example when it comes to our principles, values and purpose. At the start of the pandemic, our Board took swift and immediate action to offer significant portions of their salary to Hospitality Action, as mentioned above.

The Board has continued its efforts to support the growth of our environmental, social and governance ("ESG") activities throughout the pandemic.

See the Responsible Business section for more information on pages 72 to 81

On the governance front, the Board remained on hand to support when called upon and to carry out their duties, as frequently as needed.

Furthermore, the Board, led by the Deputy Chair and the Audit Chair, kept a watchful eye and coordinated with the appropriate team members to ensure the ethical dealing policies, Code of Conduct and internal communications were fit for purpose as the Group faced a number of local and national lockdowns and operational restrictions at different times across our operational regions.

The Board was active in 2020 in carrying out their role of ensuring that workforce practices are consistent with the Group's values and support its long-term success.

Related Party Transaction

Following the approval by the Group's independent shareholders on 17 March 2020, the Group entered into a building contract with Gear Construction UK Limited ("Gear") on 7 April 2020 for the design and construction of art'otel london hoxton on a "turn-key" basis. Gear is classed as a related party of the Group for the purposes of the Listing Rules. Accordingly, the entry into the Construction Agreement by the Group constituted a related party transaction for the purpose of the Listing Rules and required the approval of the independent shareholders.

Values & Purpose

Human rights and anti-slavery

As with previous years, the Company reviewed and assessed risks related to Modern Slavery, in accordance with the Modern Slavery Act. Our 2019 and early 2020 efforts focused on the development of a more comprehensive anti-trafficking training programme. The hospitality industry remains highly vulnerable to human trafficking, in large part because it offers short-term accommodations to the public.

As a Group we believe that awareness, training to spot signs of trafficking, and encouragement to speak-up, are critical to mitigating the risk of human trafficking. As a hospitality business we have expanded our compliance training programme to educate our managers and team members in the UK, the Netherlands, Germany, and Hungary on key signs of trafficking and to encourage our team members to speak-up when they spot these signs or have concerns that trafficking may be occurring. We intend to continue improving the detail and reach of the anti-trafficking training programme well into the future.

Ethical Dealing Policies

Reflecting its introduction in the Code, the Board has made more proactive efforts to oversee and ensure that workforce practices are consistent with the Company's values and support its long-term success. As with 2019, the Board has reviewed a number of policies and the tools used to integrate them into the Company culture.

Anti-bribery

We remain committed to ensuring our business is operated ethically, with transparency and integrity. As part of that commitment, we continually update and refresh out ethical dealings policies and training.

Code of Conduct

Our Board sets the culture of the Company by identifying the right behaviours and periodically reviewing the application of our Code of Conduct in communicating our values and behaviour. Our Code of Conduct was amended in 2020 to account for the increased role technologies are playing in our ways of working. This refreshed Code of Conduct was approved in December 2020 with the endorsement and support of our Board of Directors. The Code of Conduct was guided by our Deputy Chairman, who plays an integral role in ensuring the governance, values and purpose of the Company are reflected in our business policies and our approach to responsible business initiatives.

Further to that, our remuneration policy manages performance against our behaviours and reinforces them with incentive structures. Ensuring incentives align with culture and are standardised across the Company was a focus area for our Remuneration Committee and Board in 2020, even though economic conditions were the leading force in remuneration.

For more information, see our Remuneration Committee report on pages 111 to 117

Whistleblowing

The Whistleblowing Policy incorporates uniform central principles that provide all team members with a way to raise concerns in accordance with local law in each region, but with the uniform assurance that making a disclosure made in good faith will not be subject to unfavourable treatment. The Board and Executive Leadership Team stand by this assurance. The practical mechanism for carrying out the policy is set by addendum to account for local law in every region where we operate a hotel or office. The Company has also implemented a dedicated 24-hour hotline for all regions where local language or English can be used to raise genuine concerns in confidence and – if preferred – anonymously.

The Board has it in mind to regularly review these arrangements, alongside all of our ethical dealing policies, to ensure that they are proportionate, effective and allow for independent investigations of matters and appropriate follow-up action. With the Code of Conduct, our Board was integral in setting the culture by identifying the right behaviours.

WORKFORCE ENGAGEMENT

Workforce engagement: Designated Non-Executive Director

Kevin McAuliffe, Non-Executive Deputy Chairman, has been tasked with gathering the views of the workforce.

The views of the workforce are then shared with the Board and considered in the Remuneration, Nomination and Audit Committee meetings and when directing action and strategy on culture.

Workforce engagement

The COVID-19 pandemic, and the resulting limitations on our operations and travel, stifled our otherwise well integrated approach to engagement within the Company and between the Board and workforce. We have implemented a number of e-initiatives to increase remote engagement, however, we have not fully recovered the loss of our organic approach to engagement.

Workforce engagement – site visits

Our primary three vehicles for workforce engagement are through the use of our Responsible Business Programme, Board Site Visits and our Climate Analysis.

Our Responsible Business programme is a great platform to expand on our workforce engagement as it reflects our values and Company purpose in a wider sense. As part of our refreshed Responsible Business programme, we aimed to create more opportunities for the Board to interact closely with team members at all levels and across the Group. We introduced a new Communities Programme in the 2019 Annual Report. The concept was simple, each hotel selected a local community service project in line with our SDGs; appointed an ambassador from the workforce to receive training and paid time to arrange activities to support the selected service project, log hotel achievements and attend Committee meetings with ambassadors from other hotels; each hotel entered their project into the annual competition to be selected as the PPHE annual local service project and presented on behalf of their hotel to a panel of Non-Executive Directors and members of the Leadership Team. This programme successfully commenced training in three countries prior to the first wave of the COVID-19 pandemic. In light of the health concerns and limited operations, the programme was paused for the 2020 year, which unfortunately resulted in a lost opportunity for the Board to engage directly with team members and support the culture, purpose and role each hotel plays in the community. We hope to renew this programme upon a return to more normal business activities.

Our Board site visits are a mainstay of our Director induction programme and feature in our annual Board activities. The site visits provide the Board with great opportunities to better understand the dedication, work and the feedback from both the managerial and non-managerial team members. This greatly improves the depth of the Board's understanding of our operations and team member views.

This recommendation of each Director having at least two site visits per year was accepted in 2019. Unfortunately, due to COVID-19, our Directors were only able to conduct site visits in January – March, with Ken Bradley, Nigel Keen and Kevin McAullife visiting a number of London properties and meeting with the teams on-site. While these visits were incredibly useful to engage the Non-Executive Directors with the workforce, it was taken without the knowledge that these would be the only visits for the year due to the pandemic.

Pulse Survey

As with many of our activities, the social protocols of 2020 acted as an impetus to modernise our approach toward workforce engagement. Ensuring our Board remained connected to the workforce was one of the more challenging aspects of governance in 2020. The operational limitations and distancing measures required us to address ways to engage with the workforce. Remote engagement is understandably a challenge within an industry which deeply values personal connection and social interactions.

One way we modified our workforce engagement was to temporarily modify our annual Climate Analysis to allow for more frequent pulse surveys to various groups of team members. The Climate Analysis is a formal and comprehensive study, based on survey of our people, culture, workplace satisfaction. With a number of our team members on furlough, this approach was set aside in favour of a succinct pulse survey which sought direct feedback on current concerns of our team members which were capable of swift resolution and consideration. Our first pulse survey was conducted in the Netherlands and, in addition to the above, sought to gauge the well-being of our team members, which we deemed of critical importance given the many changes of 2020.

The survey has shown to be a very agile and approachable way to elicit insights from team members on specific initiatives and in the moment challenges. We will continue with this format for the time being rolling it out to other regions, such as the UK in Q1 2021. We anticipate returning to the comprehensive engagement surveys in the coming years while continuing to utilise pulse surveys for more of-the-moment matters.

To supplement the programme, the Company focused a portion of its newsletters on communicating the importance of mental health and, how to speak with Mental Health First Aiders first even when on furlough or working remotely and making government endorsed tools and mental health strategies accessible and providing access to tools, learning and activities in support of mental and physical health.

We encourage all of our team members to take part in internal events to promote health and well-being. Team members participated in yoga sessions, and held activities that opened up conversations around well-being, confidence and mental health.

BOARD AND COMMITTEE MEETINGS

Our Board

Strategy. Purpose. Culture. Communications.

Sets the Strategy, commercial vision, leading with integrity, promoting culture.

Evaluates management, overseeing resources and talent pipeline, engaging with key stakeholders.

Board Committees

In accordance with the Code, the Company has established the following committees in order to support the Board and carry out work on its behalf:

- Nomination Committee
- Audit Committee
- Remuneration Committee

Terms of reference for each Board Committee are available on the Company's website: pphe.com

Nomination Committee

For more information, please see page 99

Develops. Plans. Evaluates. Nominates.

Oversees current needs and evaluates, plans for the future, monitors, advises, nominates.

Ensures the Board has a balance of skills, knowledge, diversity and experience.

- Board and Committee composition
- Board nominations
- Succession planning for Directors
- Succession planning for senior management

Members of the Committee:

- Kenneth Bradley – Chair
- Stephanie Coxon – Non-Executive Director
- Kevin McAuliffe – Non-Executive Deputy Chairman
- Nigel Keen – Non-Executive Director

Audit Committee

For more information, please see page 106

Transparency. Accuracy. Monitors. Aligns.

Oversees internal controls, audit functions and financial systems. Publishing transparent, accurate and up-to-date information on the same.

Monitors the integrity of the Group's financial statements and internal controls of the Company.

- Monitors and reviews the integrity of the Group's half-year and full-year financial results, and the financial reporting process.
- Reviews the effectiveness of the Group's system of internal controls and risks
- Oversees ethics and compliance for the Company
- Reviews the Groups internal and external audit functions

Members of the Committee:

- Stephanie Coxon – Chair
- Kenneth Bradley – Non-Executive Director
- Nigel Keen – Non-Executive Director

Remuneration Committee

For more information, please see page 111

Values. Culture. Talent proposition.

Oversees alignment of remuneration and workforce policies to the long-term success of the Company and its values.

Responsible for remuneration policy for the Group and for setting salary and bonus levels for senior management and employee benefit structures.

- Remuneration Policy
- Sets targets and incentive schemes
- Executive and senior management remuneration review

Members of the Committee:

- Nigel Keen – Chair
- Kenneth Bradley – Non-Executive Director
- Stephanie Coxon – Non-Executive Director

BOARD AND COMMITTEE MEMBERSHIP

	B	A	R	N
Eli Papouchado	C			
Yoav Papouchado[1]	Alternate Director			
Kevin McAuliffe	B			N
Nigel Jones[2]	B	A	R	N
Nigel Keen	B	A	C	N
Kenneth Bradley	B	A	R	C
Stephanie Coxon	B	C	R	N
Dawn Morgan[3]	B	A	R	N
Boris Ivesha	B			
Daniel Kos	B			

B Board of Directors
A Audit Committee
N Nomination Committee
R Remuneration Committee
C Chair

1 Eli Papouchado appointed Yoav Papouchado as an Alternate Director on 21 July 2020.
2 Nigel Jones retired from the Board and did not stand for re-election at the AGM; Nigel Jones chaired the Remuneration and Nomination Committees up until his retirement.
3 Dawn Morgan stepped down from the Board effective 30 Sept 2020; Dawn Morgan chaired the Audit Committee up until her resignation.

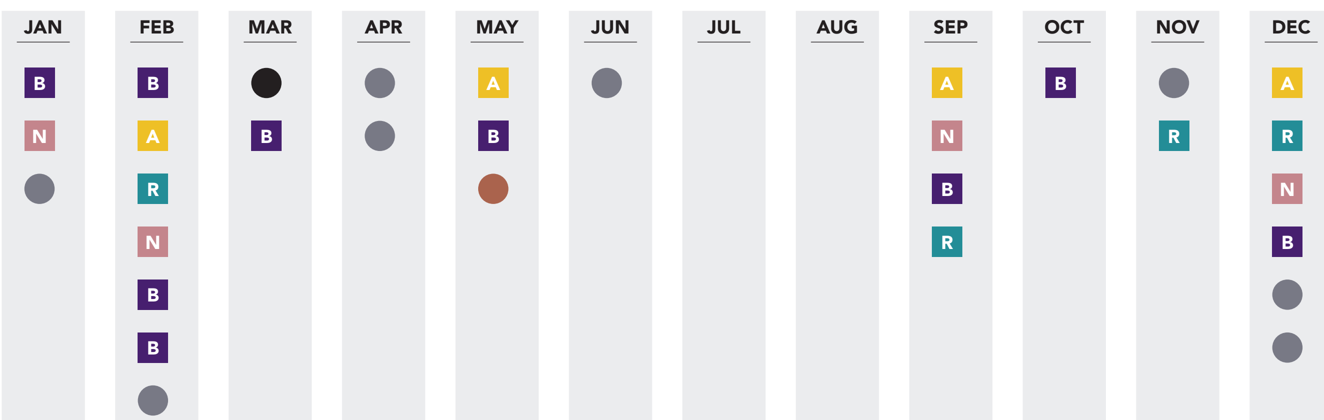
Board and Committees membership

The Board and its Committees are regularly evaluated on their composition and effectiveness to ensure that they have a wide combination of relevant skills, experience and knowledge.

Only Committee members are entitled to attend Committee meetings. However, other Directors, management and advisers may be invited, at the request of the respective Chair, to provide updates, information and insights into a particular matter, answer questions and to assist the Committee in carrying out its duties.

BOARD AND COMMITTEE MEETINGS

The Board and its Committees have a sufficient number of regularly scheduled meetings to discharge their respective duties. Additionally to scheduled meetings, the Board holds regular ad-hoc Board Committee meetings when and if required.



B Board meeting
A Audit Committee meeting
R Remuneration Committee meeting
N Nomination Committee meeting
Annual General Meeting
EGM
Ad-hoc

BOARD AND COMMITTEE MEETINGS ATTENDANCE

If any Director is unable to attend a meeting, they communicate their opinions and comments on the matters to be considered via the Deputy Chairman or the relevant Committee Chair. Full attendance is provided below.

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings		Ad-hoc Board Committee Meetings	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Eli Papouchado[1]	4	9	n/a	n/a	n/a	n/a	n/a	n/a	–	n/a
Yoav Papouchado, Alternate Director	2									
Kevin McAuliffe	9	9	n/a	n/a	n/a	n/a	4	4	6	n/a
Nigel Jones[2]	6	6	2	2	1	1	2	2	3	n/a
Nigel Keen[3]	7	7	3	3	3	3	2	2	–	n/a
Kenneth Bradley	9	9	4	4	4	4	4	4	5	n/a
Stephanie Coxon[4]	3	3	2	2	3	3	2	2	2	n/a
Dawn Morgan[5]	6	7	3	3	2	2	2	3	3	n/a
Boris Ivesha	9	9	n/a	n/a	n/a	n/a	n/a	n/a	–	n/a
Daniel Kos	9	9	n/a	n/a	n/a	n/a	n/a	n/a	–	n/a

1 Eli Papouchado appointed Yoav Papouchado as an Alternate Director on 21 July 2020
2 Nigel Jones retired from the Board and did not stand for re-election at the AGM 2020
3 Nigel Keen was appointed as a Non-Executive Director on 20 February 2020. The first Audit Committee meeting was already scheduled for 25 February 2020 and the first Nomination and Remuneration Committee meetings for 26 February 2020, well before his appointment. Therefore, the view is taken that his committee appointments were applicable as of the first Board meeting
4 Stephanie Coxon was appointed as a Non-Executive Director on 7 August 2020
5 Dawn Morgan stepped down from the Board effective 30 September 2020

Board monitoring culture

The Board and Executive Leadership Team use various tools to assess the Company's culture. The annual Climate Analysis is a leading source on the values and behaviours of the Company.

Other key sources of intelligence in determining the culture include:

- online reviews of the hotels and services received from guests
- review of Company provided hotlines such as the whistleblowing hotline and compliance support e-hotline
- social media posts
- employer review sites
- compliance training records
- exit interviews
- hotel audits and "other human capital metrics" that provide the Executive Leadership Team and Board with insights on the health of the culture and its alignment with the vision, strategy and purpose of the Company

This data is regularly reviewed by the Executive Leadership Team and discussed with the Board to develop a deep understanding of the culture's health, gaps to address and steps to take to better align with the long term strategy of the Company. The Board will continue to grow its oversight in the culture and its evolution in relation to the Company purpose and strategy in line with good governance practices.

Kenneth Bradley
Chair of the Nomination Committee

Nomination Committee Chair

Kenneth Bradley
Chair of the Nomination Committee

Nomination Committee members

Stephanie Coxon
Non-Executive Director
(appointed in August 2020)

Nigel Keen
Non-Executive Director
(appointed in February 2020)

Kevin McAuliffe
Non-Executive Deputy Chairman

Dawn Morgan
Non-Executive Director
(stepped down from the Board in September 2020)

Nigel Jones
Non-Executive Director
(retired from the Board in May 2020)

Dear Stakeholder,

I welcome opportunity to report on the work of our Nomination Committee after my first full year in the position. The roles and responsibilities of the Committee mean that we focus on the future: succession plans, appointments to the Board, ensuring development of our talent pipeline, among others. Our focus is on the future and ensuring the Board is building the leadership mechanism for tomorrow's challenges.

If there ever was a year to take comfort in the task of future-proofing, it was 2020. The COVID-19 pandemic was ever-present in all facets of our day-to-day lives. For that reason, we as a Committee were trusted with carrying out the role of building leadership within the Company for the bright path of the many tomorrows to come.

The Nomination Committee was exceptionally active in 2020 between the appointment of two new Non-Executive Directors, Stephanie Coxon and Nigel Keen, and one Alternate Director, Yoav Papouchado; supporting the commencement of two new Executive Team roles, the Deputy Chief Executive Officer and Chief Legal & Corporate Officer; refreshing the Board Induction Programme and updating our own terms of reference. These significant steps, among a number of more modest activities undertaken by the Committee, highlight how the Nomination Committee is actively developing the leadership of the Company for the years beyond 2020.

The Role of the Nomination Committee is to oversee and continue the succession planning programme, identify candidates for Board and Executive positions, ensure the talent pipeline is well developed for tomorrow's leadership and to lead our Board induction programme. Our Board succession planning is on target, with three new appointments made over the past 24 months, my own appointment included, and two Non-Executives stepping down from the Board in that same period.

We were prompted by travel restrictions to carry out most of our Board induction programme on a remote basis for our newest Non-Executive Director appointment, Stephanie Coxon, who joined in August 2020 and to some extent for Nigel Keen who was appointed earlier in the year, in February 2020.

For more details on the 2020 Induction programme, please see page 103

All areas of the Board Induction Programme were fully adaptable, save for the workforce engagement piece. Scheduled site visits, overnight stays and other face-to-face interactions form important parts of Board engagement year-on-year. These in person interactions, in various combinations, are a mainstay for the Board Induction Programme. Although the Board received regular updates on the workforce and workforce engagement from the Executive Leadership Team, the restrictions on movement introduced as a result of the pandemic made site visits and face-to-face meetings impossible to conduct. Thus the site visits and the workforce engagement which organically springs from our site visits have been deferred to 2021 for Nigel and Stephanie. Having learned from the ease with which we completed our e-induction for Stephanie and Nigel, we have set the goal of creating a permanent e-induction programme going forward for all new appointees.

Kenneth Bradley,
Independent Non-Executive Director, Chair, Nomination Committee

Nomination Committee attendance and meetings

The Nomination Committee met four times during the year. Attendance of the individual Directors who served on the Nomination Committee throughout the year is shown in the table on page 97 to 98.

Nomination Committee membership

As of 31 December 2020, the Nomination Committee is comprised of four Non-Executive Directors, three of whom are considered by the Board to be independent. No member of the Nomination Committee is deemed to have a personal financial interest in the matters to be decided. The Committee is chaired by Kenneth Bradley. Its other members are Nigel Keen, Stephanie Coxon and Kevin McAuliffe. Nigel Jones retired from the Board and stepped down from the Committee in May 2020 with Kenneth taking over as Chair after a successful handover. Dawn Morgan stepped down from the Board and the Committee effective September 2020.

Appointment of Chairman and Alternate Director

The Board re-elected Eli Papouchado ('Papo') as Chairman in May 2020. As the Company's founder and the vision behind its success, Papo remains an invaluable asset to the Board. In setting the Company's purpose, strategy and objectives, the Board leverages Papo's vision, wealth of knowledge, network and intuition earned through his many successes spanning more than six decades in construction, design, development, financing, acquisition and management of leading hotels, retail spaces, large residential projects and his leadership as Chairman of the Israel Hotel Association. The Board believes that Papo's vision, expertise and intuition are heavy drivers behind the successful strategy of the Company since its founding and therefore unanimously recommended his appointment as the Chairman in 2019. An alternate Board Member was appointed to sit in place of Papo, his son Yoav Papouchado, if and during any absences.

Yoav is the Chairman of Red Sea Hotels Limited ("Red Sea") and President of Gear Construction, the construction arm of Red Sea, with over 30 years of experience of residential developments and data centres worldwide, developed through his long tenure at Red Sea. Yoav is also a member of the Supervisory Board, and Deputy Chairman of the Supervisory Board of Arena Hospitality Group, the Company's subsidiary listed on the Zagreb Stock Exchange.

The addition of Yoav has been a smooth and uncomplicated transition due to his years of experience and knowledge of the business, its leadership and the values of the Company.

The Nomination Committee is of the view that the Board was well prepared to continue its succession planning programme in 2020 despite the wider global changes during the year, in large part, because the continuation of the Chair and Deputy Chair ensure stability, strategy deep understanding of the business.

Nomination Committee's focus 2020

Function	Actions in 2020
Board and Committee composition	– Considered the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board – Reviewed the process and timing of the Board's evaluation – Reviewed the results of the Board's 2019 evaluation – Considered the Committee's own performance and constitution to ensure it is operating at maximum effectiveness – Followed the Board Diversity Policy prior to recruiting NEDs
Board nominations	– Oversaw the recruitment process of new Directors, including short list of potential candidates – Considered the appointment of two new NEDs and the Alternate Director – Considered training and induction for newly appointed Directors – Reviewed the induction for newly appointed Directors
Succession planning for Directors and senior management	– Regularly reviewed and considered succession planning at Board level and C-Suite
Diversity and talent development	– Considered gender balance at senior management level & reporting employees – Considered gender balance for the Group – Reviewed Diversity Policy – Updated the Board induction programme, set out plan to formalise a remote induction programme – Reviewed long-term nominations

Independence and tenure of Chairman of the Board

The Code recommends that the chair of the board should not remain in their post beyond nine years from the date of the first appointment (although such time can be extended to facilitate effective succession planning and development a diverse board) and that the chair should be independent upon appointment. These provisions are intended to encourage effective succession planning.

Succession planning cannot be conducted in a vacuum, it must be carried out in a gradual manner to promote stability and is considerate of the needs of the Board and Company, particularly with regard to the expertise, experience and skills of its collective membership. With that in mind, the Board reviewed its ongoing succession planning programme in 2020, which included two new appointments and two retirements from the Board. Furthermore, the Board considered the needs of the business in 2020 and in what is assumed to be a return to more normalised operations in the year ahead. With these considerations in mind, the view from the Board, which the Nomination Committee endorsed, was unanimously in favour of the reappointment of Papo as Chair.

The Nomination Committee and the Board as a whole have given due consideration to the Provisions 9 and 19, and both categorically and unanimously agree that the Chairman is of unparalleled value to the Company and his continuation in the role in the upcoming year will contribute to the Company's long-term sustainable success. The Committee and the Board will keep their decision to diverge from Provisions 9 and 19 under constant review.

Succession planning

The Board remained on pace with the Succession Planning Programme Two new Non-Executive Directors were appointed in 2020, Nigel Keen and Stephanie Coxon. The addition of the two new Non-Executive members was remarkably smooth, in large part thanks to the continuity of service and deep understanding of the business that the longer tenured Board Members offer to the Board on the whole ensures that we continue to have plans in place for orderly succession to the Board.

Succession planning programme, Committee and Board composition, gender balance and other matters were regularly discussed and reviewed by the Committee and the Board in 2020.

Succession planning, diversity and Board and Committee reviews 2020

FEBRUARY
- Succession planning N
- Review – composition of the Board B
- Succession planning – Audit Committee A B
- Succession planning – Nomination Committee B
- Succession Planning – Remuneration Committee B

MAY
- Chairmanship of the Remuneration Committee B
- Chairmanship of the Nomination Committee B

SEPTEMBER
- Gender balance – senior management level & their reports N B
- Succession planning N B
- Review – Diversity Policy N B
- Review – structure, size and composition of the Board N B

DECEMBER
- Gender Balance – Company N B
- Succession planning N B

B Board meeting A Audit Committee meeting N Nomination Committee meeting

The process taken by the Nomination Committee this year, with respect to appointing both new Non-Executive Directors and Executive appointments, ensures that our Board is able to provide the leadership and strategy of the Company, underpinned by the values and behaviours that shape its culture and the way it conducts its business.

Kenneth Bradley, who has taken the reins as Nomination Committee Chair, led the process of these appointments, and in doing so reviewed the existing succession plan and the current needs of the Board with regard to diversity of skills and characteristics.

Succession planning programme – Board

Appointments to the Board follow a formal, rigorous and transparent process. The Board remained on pace with the Succession Planning Programme in 2020. Two Non-Executive Directors were appointed in 2020 with the support of the external recruitment firms of OSA Recruitment for Stephanie Coxon and Foster Chase for Nigel Keen. As far as the Company is aware, neither agency had any connection with the Company or individual Directors.

Both Nigel and Stephanie have been deemed independent as neither had any material dealings with the Company prior to their appointment to the Board. As with all Non-Executive Directors their independence will be reviewed again annually.

Their transition to the Board was remarkably smooth, in large part thanks to the continuity of service and deep understanding of the business that the longer tenured Board Members offer to the Board on the whole. Prior to recruiting for these roles, the Nomination Committee discussed and considered each Board member's individual skills, competencies, knowledge and diversity, alongside succession planning, to ensure that we maintain an effective and strong Board.

Nigel is a distinguished professional with experience in real estate development and is a chartered surveyor. He has served in Board and leadership positions for many years for FTSE listed and prominent private companies. He has exemplary experience as remuneration committee chair, and an understanding of the important role a Non-Executive Director plays. Nigel's tenure in an executive position for a significant company provides him with the depth of knowledge that comes with experiencing and leading through various business cycles.

Stephanie has achieved accelerated success in her field of capital markets, asset management and accounting. She has exemplary experience as a Non-Executive Director and a wealth of knowledge in the impact governance plays in successful decision making which she has learned in her previous position as an advisory consultant role for funds and listed companies. Stephanie is our most recent appointment to the Board and possess the expertise needed by the Board.

The appointments of Nigel and Stephanie ensured that the Board and its Committees have a combination of skills, experience and knowledge necessary to perform its duties effectively.

For additional information, please see the biographies on pages 84 to 85

As announced in 2019, Nigel Jones retired from the Board and did not stand for re-election at the AGM 2020. Nigel was an integral and valued member of the Board and we thank him for his contribution. Dawn Morgan resigned from the Board effective 30 September 2020 to facilitate a move abroad. The Board is grateful to Dawn for her commitment, service and invaluable contribution to Company.

As an important element of the Succession Planning programme, consideration is given to the length of service of Board members. In the last 24 months, the Board welcomed three new Non-Executive Directors and the stability and experience and knowledge of the Company offered by the more tenured members of the Board was invaluable to the Board as whole. The balance of composition of the Board was critical in ensuring the Company remained focus on long-term strategy and able to offer stability and security during the challenges presented in the 2020 year.

Two Non-Executive Directors, the Chairman and the Deputy Chairman, were appointed to the Board more than nine years ago. As explained in detail on page 100, the Chairman is invaluable to the Company and the Board, and his continued role in the Company has led to our sustained success. The Board considers the depth of knowledge Deputy Chairman brings to the Board, to be of significant value and of critical importance while the Board progresses its succession planning programme and new Directors are acclimating to their roles. Accordingly, the Board diverges from tenure recommendations in the Code with respect to the Chairman and Deputy Chairman.

While the consideration of the Code's emphasis on tenure remains, the Board is strongly of the belief that in its current composition, it has the right combination of skills, experience and knowledge and remains effective and entrepreneurial. The Board's composition will continue to be reviewed as part of succession planning.

Succession Planning programme – Executive Leadership Team

In consideration of the appointments made to the Executive Leadership Team in 2019, which took effect on 1 January 2020, the Board believes succession planning is effective for senior management and in keeping with the spirit of Principle J of the Code. The Chief Executive Officer, who sits on the Board and remains in regular discussion with the Board, directs succession planning at the senior management level and does so in coordination with the Chairman, Deputy Chairman and the Board on the whole. In directing succession planning, Principle J is applied to ensure that succession is based on merit and objective criteria and within this context promotes diversity of gender, social and economic backgrounds, cognitive and personal strengths.

Board Induction

The Deputy Chairman and Chief Corporate & Legal Officer are responsible for ensuring that new appointees to the Board receive a tailored and comprehensive induction to familiarise them with the Company's strategic aims, purpose, operations, regulatory climate, stakeholders, Directors' duties and governance practices. We tailor our programme taking into consideration the Director's previous Board experience, expertise and familiarity with the real estate and hospitality industries. The induction process includes two interviews with the Deputy Chairman before the programme commences and mid-way to identify any gaps.

One key objective for the Nomination Committee is to continually improve on our Board induction programme. As a Board we agree that the induction process should define the role, introduce the stakeholders and introduce the culture of the Board and the Company as a whole and allow all new appointees to appreciate their role in the success of the Company, how the Company measures success and convey the expectations of all key stakeholder groups. The induction must be tailored to the individual Director without neglecting the key elements of our induction programme. For that reason we are working toward a remote induction programme on the key features of the Board and Director responsibilities with a tailored approach to take into account the Director's experience.

KENNETH BRADLEY'S INDUCTION PROGRAMME 2020:

2020 2021

Continuation from 2019

Meetings with the management team – UK

Hotel familiarisation visits – London, UK

Hotel familiarisation visits – Netherlands

NIGEL KEEN INDUCTION PROGRAMME 2020-2021:

2020 2021

FEBRUARY 2020

First interview with the Deputy Chairman regarding induction requirements

Corporate governance presentation on statutory obligations

Review of key statutory documents

Meetings with the management team – UK

Second interview with the Deputy Chairman to identify any gaps and if additional information is required

Meetings with the Finance and Technology Teams – Netherlands

Hotel familiarisation visits – Croatia

Hotel familiarisation visits – Germany

STEPHANIE COXON INDUCTION PROGRAMME 2020-2021:

2020 2021

SEPTEMBER 2020

First interview with the Deputy Chairman regarding induction requirements

Corporate governance presentation on statutory obligations

Review of key statutory documents

Meetings with the management team – UK

Second interview with the Deputy Chairman to identify any gaps and if additional information is required

Meetings with the Finance and Technology Teams – Netherlands

Hotel familiarisation visits – Croatia

Hotel familiarisation visits – Netherlands

BOARD EVALUATION

YEAR 1	YEAR 2	YEAR 3
Financial Year 2018 External evaluation	Financial Year 2019 Internal evaluation against Year 1 Review	Financial year 2020 Internal evaluation

The review found that the Board has made positive progress in 2020.

Board evaluation

The Board evaluates its performance and considers the tenure of each Director on an annual basis, and believes that the mix of skills, experience and length of service is appropriate to the requirements of the Company. This feeds into considerations for succession planning for long-serving Directors. Progress made against the 2018 external evaluation and the 2019 internal evaluation was reviewed in the 2020 internal evaluation which was led and conducted by the Deputy Chairman.

The purpose of the 2020 review of Board and Committee effectiveness was to follow up on the outcomes and recommendations of the 2018 external evaluation and 2019 internal evaluation. The evaluation covered the full scope of the Board and each Committee's work, and provided recommendations, suggestions and an overall assessment of effectiveness.

During 2020, the Board improved its frequency of information flow to include a number of routine updates on business areas. The Board has therefore received more frequent updates from the risk, audit, insurance and compliance functions of the business. This satisfied an objective set by the previous year's Board evaluation and ensures the Board is best placed to carry out their duty to oversee the internal control framework and account for principal risks when evaluating the Company's strategic objectives.

Diversity

In accordance with Provision 23, the Nomination Committee considers the gender balance of those in senior management and their direct reports.

Our Board and Executive Team consists, of both men and women and includes talented and committed individuals whose business experience, geography, age, gender, and ethnicity are varied. The Committee reviewed the composition of the Board in 2020, and in doing so believes that there is a depth of diversity with regard to a number of characteristics, experience and skill sets. Gender diversity remains as an area for improvement at the Board level.

The Board maintains a gender diversity policy which is reviewed annually by the Nomination Committee and proposed for annual adoption by the Board. In proposing the policy, the Nomination Committee recommends changes where it deems appropriate in light of the current Board composition. The diversity policy approval process is open to discussion and debate. The Board again considered the benefit of setting diversity targets in order to close the gap with regard to gender diversity. The view remains that setting diversity targets risks overshadowing the need to identify suitable candidates on the basis of merit, with the primary objective of finding Directors whose skill set best reflects the needs and nature of the business.

All appointments to the Board are made on a merit basis, and with diversity in all respects viewed as a benefit. The Board does not believe that any one characteristic, whether diversity related or otherwise, as warranting appointment to the Board. All appointments are viewed holistically and in consideration of various factors which are relevant to any vacancy. In compliance with Provision 23 of the Code, the Nomination Committee is tasked with ensuring the policy on diversity and inclusion links to the objectives of the Company and Company strategy and reviewing how the policy has been implemented and progressed to achieve its objectives.

Senior Management

The Board and senior management are a unified voice for PPHE's strategic growth weaved together by individual Directors each with their own experience, skill set, expertise and background. The diversity and inclusivity of our entire team are important for us to bring the best to our business and understand and reflect the needs of our guests and other key stakeholders. We are fully committed to respect and deliver fair treatment for everyone whatever their background, race, ethnicity, gender or other protected characteristics (as defined within the Equality Act 2010) and deliver opportunity and development for all of our team members, guests and stakeholders. In accordance with the Code, the work of the Nomination Committee includes giving consideration to the gender balance of those in the senior management and their direct reports.

BOARD	DIRECT REPORTS TO CHIEF EXECUTIVE OFFICER	THEIR DIRECT REPORTS
Gender diversity	Gender diversity	Gender diversity
14% Female	33% Female	44% Female
86% Male	67% Male	56% Male

As of 31 December 2020; the Board ratio includes all Executive and Non-Executive Directors (and excludes the Alternate Director).

Workforce

The diversity and inclusivity of our entire team are important for us to bring the best to our business and understand and reflect the needs of our guests and other key stakeholders. We are fully committed to respect and deliver fair treatment for everyone whatever their background, race, ethnicity, gender or other protected characteristics (as defined within the UK Equality Act 2010) and deliver opportunity and development for all of our team members, guests and stakeholders. Where possible, we actively support events in our community that celebrate diversity and inclusion.

In keeping with the call to ensure the Board sets the culture of the Company, the Board Diversity Policy was considered and integrated, as applicable, to the Inclusion and Diversity Statement published by the Company in 2020 for the updated recruitment website. Diversity, in all respects, is of great value in collective decision-making at every level of the organisation. We intend for our Policy, and indeed our approach to recruiting and retaining new Directors, Executive Leadership and the talent pipeline, to support a culture of inclusion and diversity.

Stephanie Coxon
Chair of the Audit Committee

Audit Committee Chair

Stephanie Coxon
Chair of the Audit Committee (as of 30 September 2020)

Dawn Morgan
Chair of the Audit Committee (through 29 September 2020)

Audit Committee members

Kenneth Bradley
Non-Executive Director

Nigel Keen
Non-Executive Director & Senior Independent Director (appointed to the Audit Committee in February 2020)

Nigel Jones
Non-Executive Director (retired from the Audit Committee in May 2020)

Dear Stakeholder,

I am honoured to have been appointed as Chair of the Audit Committee and to take the reigns over from Dawn Morgan, whose commitment to governance and leadership led the work of the Audit Committee during her tenure as Chair of this committee. I would like to add my personal thanks to Dawn for her contribution.

2020 was a unique and complex year as government restrictions surrounding the control of the COVID-19 pandemic dictated the operations of the Group. Unsurprisingly, the COVID-19 pandemic has fundamentally affected all aspects of the Audit Committee's activity during the year.

The Audit Committee directs and oversees the changes to, and implementation of, effective risk management measures in response to the evolution of the business, its resources and its strategy. Implementing effective risk management is about accurately identifying risks and maintaining that oversight to accurately track those changes and being able to effectively communicate it in a transparent and digestible manner to all levels of management within the business. The Committee uses the risks from the Group's Enterprise Risk Management ("ERM") system (as set out on pages 31 to 40) as the main basis to determine the Committee's activity. In 2020 we were pleased at the strides taken in recent years to refocus the internal audit and risk functions as they were vital and effective in ensuring that our Executive Leadership Team, Board members and key internal decision makers were risk aware and fully conversant with the potential impacts on the Group.

In March 2020, time was spent with the Executive Leadership Team and the Head of Risk and Internal Audit to determine the impact of the COVID-19 pandemic on the risks facing the Group and consider the resultant risks and emerging risks. Effective risk management and internal controls were integral to ensuring the Company could maintain its position and the Board was able to maintain its strategic focus on the future.

The Company maintains its own risk management and internal audit function which, based on the quality of reporting from the Head of Risk and Internal Audit, we believe is appropriate for the business. During 2020, due to government restrictions and the hotels being closed, we were unable to complete hotel operational internal audits. As such we instructed the Head of Risk and Internal audit to perform additional deep dives over corporate treasury, Group insurance and subsidiary governance which were areas highlighted in the ERM system.

During the year, the Audit Committee oversaw the implementation of the new financial risk and control matrices, documenting key controls across all areas of the financial process. This will allow us to formally assess the Company's second line of defence in this area.

The Audit Committee is also tasked with safeguarding the quality of our financial and non-financial reporting, which is of even greater importance in a year like 2020 where the impact of the COVID-19 pandemic on the Annual Report and Accounts were unprecedented. The Committee also had robust conversations with management on the financial impact of the COVID-19 pandemic and its implications on the financial statements, going concern assessment and viability statement.

The Audit Committee has undertaken some administrative changes this year to enhance our governance practices, one such amendment was to reorganise the Committee schedule to allow a week between the Committee meeting and the subsequent Board meetings.

The Committee believes that the robust internal controls and sound risk management processes that we have in place ensure that the Company is able to successfully deal with ever-changing circumstances as we progress toward a return to pre-COVID-19 operations.

Stephanie Coxon
Independent Non-Executive Director, Chair, Audit Committee

Role of the Audit Committee

The Audit Committee plays a key role in assisting the Board to:

- observe its responsibility of ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position;
- ensure the Group's published consolidated financial statements and related announcements represent an accurate and fair reflection of its financial position;
- manage and monitor the Company's risk, both financial and non-financial;
- ensure that appropriate accounting policies, internal financial controls and compliance procedures are in place; and
- review the external audit process as well as the external auditor's independence.

The Audit Committee receives and reviews information from the Deputy Chief Executive Officer, Chief Financial Officer, the Chief Corporate & Legal Officer, the Head of Risk and Internal Audit, the internal legal, compliance, audit and risk teams and the external auditors regularly throughout the year in order to allow it to carry out its functions. C.L. Secretaries Limited carries out Company Secretary services to ensure the Committee has the policies, processes, information, time and resources needed to function effectively and efficiently. The Committee regularly reports to the Board on how it has discharged its responsibilities.

The Committee's Terms of Reference can be found on the website.

Effectiveness of the Committee

The Committee's performance, constitution and effectiveness is monitored and assessed regularly, including as part of the Board annual evaluation where it was concluded that the Committee remained effective. The Audit Committee has scheduled a comprehensive self-evaluation which is to be completed following the publication of the annual accounts and report for the 2020 year.

The Board further considers that the work and composition of the Audit Committee complies with the Code.

Audit Committee's Focus 2020

Function	Actions in 2020
Monitor the Group's financial statements	– Reviewed the form and content of the Annual Report and Accounts to ensure that it was fair, balanced and clear and the associated announcements. – Reviewed Interim Report and Financial Statements for the period ended 30 June 2020 and the related announcements – Received regular updates on Group's performance – Amended the timing of meetings to allow more time between Audit and Board meetings to allow any work arising from the Audit Committee to be carried out and reported to the Board as appropriate.
Monitor and review the effectiveness of the Group's system of internal controls and risks	– Received regular updates on the internal audit and enterprise risk management, including: • internal audit update • Enterprise Risk Management updates • actions update • risk incidents • financial control framework – Received regular updates on and reviewed emerging risks – Updated principal risk schedule and Enterprise Risk Management framework – Reviewed Whistleblowing Policy and Code of Conduct – Conducted internal assessment of the Audit Committee's performance to ensure effectiveness – Reviewed the progress of internal audit against internal audit plan and selected deep dive internal audits over areas highlighted in the Enterprise Risk Management system – Monitored and reviewed the effectiveness of internal audit function – Considered the structure of internal audit – Reviewed subsidiary company's governance policies
Oversee ethical dealings and compliance for the Group	– Regularly reviewed IT risks and cyber security – Reviewed data privacy matters and procedures – Monitored arrangements with related parties – Reviewed Significant and Related-party Transaction Policy – Met with compliance and governance teams for update on compliance, environmental, social and governance programme
Review the Group's external audit function	– To consider the audit planning report from the auditor – To consider the report from the auditor – Regular communications with the auditor during the audit process – Met with subsidiary auditors to discuss the status of the subsidiary audits – Reviewed and updated the Non-Audit Fee Policy – Evaluated the performance of the Auditor – Considered the tenure of the Auditor – Considered the auditor's independence and non-audit services

Changes in Audit Committee membership

Stephanie Coxon joined the Audit Committee on 7 August 2020 and, following a successful handover, succeeded Dawn Morgan as Audit Committee Chair, upon Dawn's retirement from the Board on 30 September 2020.

Nigel Jones remained a Committee member until May 2020, when he resigned from the Board. Nigel Keen joined the Board on 20 February 2020, and was appointed to at the first committee meeting thereafter on 25 February 2020.

Relevant Skills and Experience

The Audit Committee is comprised entirely of independent Non-Executive Directors, each having relevant skills and experience as prescribed by the Code and each bringing an independent mind-set to their role. The Committee as a whole has the competence relevant to the sectors in which the Company operates and the Chair, among others within the membership have recent and relevant financial experience.

- Stephanie Coxon (Chair, from 30 September 2020) is a chartered accountant, with over 15 years of capital market expertise. She is a former capital markets director for a pre-eminent global Accountancy and Consulting firm, where she advises boards on ongoing obligations, corporate governance, accounting policies and reporting processes. Stephanie is also a Non-Executive Director for two FTSE 250 companies. Through her qualifications and past experience, Stephanie is able to provide strong leadership to the Audit Committee in carrying out its duties and responsibilities;
- Dawn Morgan (Chair, through 29 September 2020) is a Chartered Accountant and a former Finance Director and Company Secretary. These previous roles together with her

robust experience in all aspects of commercial finance (including treasury and strategic aspects), allowed her to provide strong leadership to the Audit Committee;
- Kenneth Bradley brings a wealth of knowledge on banking and general commercial finance matters, earned through his more than 30 years of experience in banking and other regulated financial services businesses. Kenneth's expertise covers wealth management, corporate banking, structured finance and insurance;
- Nigel Keen (from February 2020) is a qualified chartered surveyor with over 35 years of property expertise from site acquisition through to asset management. He has held executive and non-executive board positions with FTSE 100 and FTSE 250 companies, leading development, construction and property teams at high growth companies, many of which are so widely proliferated that they have become house-hold names. Nigel is a Non-Executive Director and audit committee member of a FTSE250 housebuilding company;
- Nigel Jones (until May 2020), is a chartered surveyor and former Chief Executive of an AIM listed property company. Nigel's substantial experience of dealing with financial matters as well as relevant experience in the property and construction industries offered sound and valuable understanding of property development.

The composition of the Audit Committee is regularly considered by the Board and the Nomination Committee. The Board is satisfied that the Audit Committee is properly structured and can properly discharge its duties, including in light of the nature of the Group's business and the sector in which it operates.

Committee attendance and meetings

The Audit Committee met formally four times during the year. The Audit Committee receives monthly financial and operational performance updates from the Chief Financial Officer, Deputy Chief Executive Officer, Chief Corporate and Legal Officer and the Regional Vice Presidents.

The Audit Committee Chair also receives monthly updates on non-financial reporting areas, such as enterprise risk, internal audit matters and updates on the financial control framework from the Head of Risk and Internal Audit, who reports directly to the Audit Committee. Since the outbreak of COVID-19 in March 2020, the members of the Committee received weekly updates on the Company's performance and management response to the crisis from the Head of Audit and Risk who liaises with the Executive Leadership Team prior to each update call. Additionally, the Committee members had access to ask questions or request ad hoc meetings from the Executive Leadership Team, key members of the corporate teams, the external auditors, external auditors of the subsidiaries and any other member of the Company as they requested.

The Audit Committee is satisfied that it had access to the resources necessary to discharge its responsibilities in 2020.

The schedule of meetings and attendance of the individual Directors who served on the Audit Committee throughout the year is shown on pages 97 to 98.

Audit Committee schedule and resources

In 2020, the Audit Committee reviewed the timing of the Audit Committees in relation to the Board meetings in which the Audit Committee would be reporting their findings. The Audit Committee decided that the meetings should no longer be on the same day, as the brevity of time to review the outcome of the Committee Meetings posed a risk that there would not be a sufficient interval to allow any work arising from the Audit Committee meeting to be carried out and reported to the Board as appropriate. Therefore, in accordance with FRC guidance, a longer interval, of approximately one week, will be scheduled between the Audit Committee meetings and the subsequent main Board meetings where the Audit Committee is to report its most recent findings.

Evaluating performance

The Audit Committee carried out a self-evaluation of its own performance. In doing so each member of the Committee considered strengths as well as areas for improvement for the Committee in the upcoming year. The responses received from the committee were minor, with many focused on improving on challenging the external auditor's audit approach in light of COVID-19 pandemic and the form of the Audit Committee reporting at the main Board meetings.

An outcome of the self-evaluation was to consider adopting a 360 self-evaluation of performance in the 2021 year to include a review of the Audit Committee performance by members of the finance team, the risk and internal audit team and to create a forward looking Committee work plan from the aggregated responses.

Relationship with the Board

The Audit Committee was provided with adequate time in Board Meetings to resolve any matters of conflict between the Board and Audit Committee. Had any such disagreement remain unresolved, the Audit Committee has the right to report the issue to the shareholders as part of the report on its activities in the Annual Report. Accordingly, the Audit Committee reports that there were no such unresolved disagreements and matters presented by the Audit Committee were discussed in full, and to resolution at the Board Meetings in 2020.

External audit and external auditors

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, are the Company's external auditors. The Audit Committee considers the appointment, re-appointment and removal of the external auditors, reviews their terms of appointment and negotiates fees on behalf of the Board prior to making recommendations through the Board to the shareholders to consider at each Annual General Meeting.

The Audit Committee annually assesses, and reports to the Board on, the qualification, expertise and resources, and independence of the external auditors and the effectiveness of the audit process, with a recommendation on whether to propose to the shareholders that the external auditor be reappointed. Kost Forer Gabbay & Kasierer were re-appointed for a further tenure of one year at the Company's Annual General Meeting in 2020.

The 2020 external audit will be Kost Forer Gabbay & Kasierer's seventh year of appointment as the Company's external auditors (15th year of an Ernst & Young Global member firm).

Kost Forer Gabbay & Kasierer have expressed their willingness to continue in office as auditors and a resolution to re-appoint them for a tenure of one year will be proposed at the forthcoming Annual General Meeting.

AUDIT TENDER PROCESS

The Audit Committee is responsible for the selection process for the appointment of the Company's auditor. The Company has a policy of tendering the external audit at least every 10 years. The external auditor tender process was last conducted in 2014. The Audit Committee will keep the need to retender the audit under continual review, and will consider if such a retender process should be initiated sooner than 2024.

If a tender process is required, it will be conducted with due regard being given to the guidance in place from the Financial Reporting Council. The Audit Committee will be responsible for initiating and overseeing a competitive tender process, recommending a candidate for appointment following a thorough and appropriate tendering process, negotiating the auditing scope and fees, influencing the appointment of the audit engagement partner within the selected external audit firm and approving the letter of appointment for the auditor.

Committee overseeing auditor

In addition to the Committee meeting formally with the external auditors, the Chair of the Audit Committee has met them informally on three further occasions. These informal meetings have been held to ensure the Chairman is kept up-to-date with the progress of their work and that their formal reporting meets the Audit Committee's needs.

In December 2020, the External Auditor presented their proposed audit plan (reviewed by the Chief Finance Officer) to the committee for discussion. The objective of this was to ensure that the focus of their audit aligned to the Group's key risks and strategy. The Committee also arranged for the external auditors to present their findings to them following their annual audit review, which provided the Committee with a forum to raise queries and questions. The findings of the Audit Committee were then discussed with the Board and other relevant management functions. Following this analysis, and additional meetings with the external auditors, the Committee can confirm that it is satisfied with the Group's external audit functions and the integrity of its financial and narrative statements.

When the external auditors present their findings we request that management are not present for part of the meeting to ensure that the External Auditors are able to speak freely and share any views without management being present. No concerns were raised by Kost Forer Gabbay & Kasierer as part of this meeting.

The key audit matters raised by the external auditors are included in their audit opinion on page 125.

Review of the external auditor

The Audit Committee also reviewed the independence and objectivity of the external auditors and reported to the Board that it considered that the external auditors' independence and objectivity were maintained.

This review included discussions with the external auditors at various meetings, reliance on the external auditors' own internal controls for compliance with independence rules and ensuring compliance with the Non-Audit Services Policy (as further described below). When evaluating the independence of the external auditors, the Audit Committee also took into consideration the quality of the audit produced, the constitution of the audit team being used by Kost Forer Gabbay & Kasierer, communications between management and the external audit team and generally how the external audit team interacts with and challenges management.

The Audit Committee evaluated the performance of the external auditors during the year, no concerns were raised about the quality of the audit conducted and feedback showed an overall level of satisfaction. Following this year's audits, a detailed auditor evaluation on both the Group and subsidiaries external auditors will be undertaken. This evaluation will include obtaining feedback from senior finance personnel who were exposed to the audit process within the Group to obtain their input on the effectiveness of the external audit process.

The audit fees amounted to £249,422 (2019: £297,650).

Policy on engaging external auditor to supply non-audit services

The Audit Committee monitors the Group's relationship with its external auditor considering what impact the provision of non-audit services may have on the auditor's independence and objectivity.

In 2020, the Committee adopted a policy on the engagement of the external auditor to supply non-audit services. The policy sets out the circumstances and financial limits within which the auditors may be permitted to provide certain non-audit services, whether a tender process is considered for non-audit services and any information which must be considered to ensure that the non-audit services do not impair the objectivity and independence of the auditor. The policy is in line with the recommendations set out in the FRC's Guidance on Audit Committees (2016) and the requirements of the FRC's Revised Ethical Standard (2019). The Audit Committee monitors compliance with this policy.

Total non-audit fees amounted to £64,598 (2019: £57,253) consisting of the interim review of the Group's half-year financial results (2019 fee in relation to interim review: £52,526). Although this is considered to be a non-audit service, the objective of the review are aligned with the audit. The Audit Committee considered the provision of the non-audit services during the 2020 year and was comfortable that the nature and extent of non-audit services provided did not present a threat to the external auditor's objectivity or independence.

Internal audit

The Company has an internal audit and risk function which reports directly to the Audit Committee Chair. This reporting line ensures the internal audit function maintain appropriate independence from the management. The Head of Risk and Internal Audit maintains a dotted line reporting function to the Chief Financial Officer who is an Executive Board Member.

The Audit Committee monitors and reviews the effectiveness of the internal audit function and meets with the Head of Risk and Audit on a monthly basis to review the progress of the internal audit programme, among other things. Additionally, the Audit Committee meets with the internal auditor at each Audit Committee meeting and does so without the presence of management, to discuss matters relating to its remit and any issues arising from the internal audits.

On an annual basis the internal auditor and internal audit function, agree the annual work plan and review whether the internal auditor has the proper resources to enable him to satisfactorily complete such work plans. Throughout the year, the auditor reports on the progress of the audit work plan and action point status. The Committee regularly reviews reports and considers management's response to any major findings, providing support, if necessary, for any follow-up action required and ensures that the team obtains free and unrestricted access to all Group activities, records, property and personnel necessary to fulfil its agreed objectives.

During 2020 due to government restrictions and the hotels being closed we were unable to complete hotel operational internal audits. As such the Audit Committee instructed the Head of Risk and Internal Audit to perform additional deep dives over corporate treasury, Group insurance and subsidiary governance which were both areas highlighted in the enterprise risk management system.

The Audit Committee is satisfied that the quality, experience and expertise of the internal audit function was appropriate for the business.

Enterprise Risk Management ("ERM")

The Audit Committee monitors the Group's risk management system and controls to review their efficacy. The Group's risk profile and mitigating activities are also regularly monitored by the Audit Committee, who are kept apprised of emerging business risks and concerns. Informed by these activities, the Group risk-reward strategy is set by the Board at the recommendation of the Audit Committee.

Risks which are inherent to all businesses either by region, standard business activity, nature of our industry or due to social and geopolitical causes are also reviewed by the Audit Committee with the aim of implementing appropriate controls and monitoring systems. When reviewing risks, the Audit Committee takes into account material external socioeconomic and geopolitical matters.

The ERM function continues to work with the various business functions in order to formulate: (i) functional level risk registers; (ii) an emerging risk profile; and (iii) a revised ERM framework. The Audit Committee set out both the key objectives and work plan for the ERM function at the beginning of this process and was then involved in reviewing and challenging his output. To ensure its independence and objectivity, the function reports directly to the Audit Committee.

The detailed assessment of the principal risk, emerging risks and uncertainties facing the Group is included on pages 31 to 40.

Financial reporting

The Audit Committee has reviewed the Annual Report and Accounts. In its opinion, taken as a whole, it is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Company's position and performance, business model and strategy.

The Audit Committee reviews draft annual and interim reports. The Audit Committee discusses with the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer and external auditors the significant accounting policies, estimates and judgments applied in preparing these reports.

The overall responsibility for approving interim statements and other governance statements is carried out in accordance with the Schedule of Matters Reserved for the Board, which was updated in 2020 through the collective efforts of the Deputy Chairman of the Board and the Chief Corporate & Legal Officer and approved unanimously by the Board.

In relation to the 2020 financial statements, the significant issues considered were the following:

- **Going Concern** – the Audit Committee considered the appropriateness of the going concern assessment and associated judgements around material uncertainties, reviewing the scenarios and mitigations, including funding options available to the Group as disclosed in Note 1(c) to the financial statements.
- **Impairment testing** - the Group's impairment review requires significant judgement in estimating the recoverable amount of its intangible assets, property, plant and equipment and the IFRS 16 right-of-use asset. The Audit Committee reviewed a paper prepared by management which outlines their approach to impairment reviews.

  The Audit Committee had a robust discussion over the key assumptions and judgements used in assessing for impairment. The impairments (see notes 4,5 and 19) recorded for property, plant and equipment (£2.50 million) and right of use asset (£2.78 million) were discussed in detail. The Committee was satisfied that the Group has appropriately performed the impairment reviews, accounted for the impairments identified and that the related disclosures were appropriate.

In addition, the other significant issues generally considered relate to the complexity of the financial statements due to the size of the Group and the multiple legal entities.

The Audit Committee also monitors the integrity of the interim financial statement and annual accounts and reviews any significant financial reporting judgments contained therein, prior to reporting the same to shareholders.

Company policies and procedures

All policies and procedures on prevention of bribery and corruption are annually reviewed by the Audit and Committee for any changes required to be recommended to the Board. The Company's Code of Conduct, Anti-bribery & Corruption Policy, Whistleblowing, Conflicts of Interest Policy and other related ethical conduct policies were reviewed in 2020.

The Anti-Bribery and Corruption and Whistleblowing Policies are available on the Company's website. The Code of Conduct as adopted in 2020 will be posted on the website in due course.

For additional details on the Company's ethical dealing policies, culture and workforce engagement see pages 82 to 96

Nigel Keen
Chair of the Remuneration Committee

Remuneration Committee Chair

Nigel Keen
Chair of the Remuneration Committee (as of May 2021)

Nigel Jones
Chair of the Remuneration Committee (retired from the Board in May 2020)

Remuneration Committee members

Kenneth Bradley
Non-Executive Director

Stephanie Coxon
Non-Executive Director (appointed in August 2020)

Dawn Morgan
Non-Executive Director (stepped down in September 2020)

Dear Stakeholder,

As I have just this week completed my first year as a Non-Executive Director with the Group and as chair of the Remuneration Committee, I welcome the opportunity to report on the Committee's work over the 2020 year. I want to thank Nigel Jones for his work on the Committee and as its Chair throughout his tenure on the Board.

Following my appointment to the Board in February 2020 and priory to my appointment to chair the Committee at the AGM in May 2020, the Covid-19 pandemic set-in across Europe, resulting in the first of a series of national lockdowns in all areas of our operations. As a hospitality business this had an immediate and significant impact on our operations, which were forced into an immediate standstill. As a result the Group had to act swiftly and effectively to preserve its position by taking measures to conserve cash, reduce overheads and realign expenditure in balance with demand.

The Committee, at the lead of my predecessor, utilised the flexibility offered by the Remuneration Policy to implement key measures in the early days of the pandemic to maintain cash flow. To support these measures, the senior leadership team voluntarily entered into a number of salary sacrifice schemes as detailed later in the report we therefore needed to use a flexible approach to how we rewarded, motivated and retained key individuals throughout this unprecedented period.

While the impact of the COVID-19 pandemic required us to adapt our approach to the 2020 and 2021 remuneration policies, it did not change the purpose of the Committee nor our fundamental understanding of the importance of remuneration policies to support the sustainability, continuity and success of the Company. We are consistent in our view that the Committee's role is on ensuring the Company's leadership and talent pipeline are motivated to deliver on our long-term strategy, deliver sustainable long-term growth and support our values as a Company.

The Code emphasises the role of the Board, and in particular the Remuneration Committee, in exercising independent judgment, discretion to ensure that remuneration policies override formulaic outcomes where appropriate. Such discretion is required when the formulaic outcome of the remuneration policy does not reflect the actual performance of the company or of the individual executive during the relevant period.

You will see further in the report that this discretion was utilised with respect to safeguarding the Company during the initial weeks of the COVID-19 national lockdowns which coincided with the payment date for 2019 annual discretionary awards.

Remuneration policies are most effective when they set out a framework which supports the long term success of the Company and encourages actions which align with the values, purpose and culture of the Company. We have also had to rethink what tools we have at our disposal to encourage retention and engagement in the face of financial pressure and vast market uncertainty. This was particularly challenging given the Company's suppressed operations during various periods of the year which resulted in the Group undertaking restructuring, utilising government furlough and employment support schemes, voluntary pay cuts, share schemes in lieu of pay and deferred 2019 bonus decisions.

In consideration of severe market conditions affecting all of our markets, the incentive awards previously anticipated by the Remuneration Policy have not been triggered for the 2020 financial year. The Committee has approved a short term remuneration policy (as shall be further elaborated below). The purpose of setting a short-term revised Remuneration Policy is to enable the Company to utilise remuneration to attract, retain and motivate its leadership to drive the strategic vision of the Group successfully while being considerate to the financial impact of 2020.

The Committee further considered workforce remuneration and remuneration policies, particularly in the context of the gender pay gap. In ordinary years, the gender pay gap provides descriptive overview of remuneration at all levels of the workforce, allowing the Committee to seek out targeted follow-on questions and propose actions. 2020 was anything but ordinary. The volatility of COVID-related operational restrictions rendered the gender pay gap figures unreliable. As operations fluctuated so did the size and remuneration of the workforce. With restructuring, salary sacrifices and furloughs impacting workforce remuneration across all regions, the Committee focused its workforce remuneration efforts on building a meaningful short term remuneration policy and charging the Executive Leadership Team with cascading down the key elements of these policies.

Role

The key responsibilities of the Committee include:

- putting in place and periodically reviewing the broad policy for the remuneration of the Chairman, Executive Directors and senior management to ensure fair and responsible rewards and incentives with a clear and proportionate link to corporate and individual performance;
- within the terms of the policy, determining the individual remuneration of each Executive Director;
- reviewing remuneration levels and related policies across the Group especially when determining salary increases, reviewing the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Director remuneration, and consulting with the CEO in setting the levels of remuneration for the Group;
- approve the design of, and determine targets for and conditions attached to any long term incentive schemes operated by the Group.

The Committee's terms of reference are available at www.pphe.com. The terms of reference are regularly reviewed to ensure compliance with the Code and ongoing strategic alignment with the Company. The Terms of Reference are under review in 2021 and the updated Terms of Reference will be published on our website as and when updated.

Committee Composition

The Remuneration Committee consists of three Non-Executive Directors all of whom are independent. Nigel Keen joined the Committee after having served on a number of remuneration committees and having ample experience as the remuneration committee chair for other listed companies. There were four scheduled Committee meetings in 2020; for information on attendance, please refer to page 97 and 98. Nigel Keen was officially appointed to the Committee at the February 2020 Board Meeting which occurred just after the Committee Meeting, therefore he was Chair for the 2020 year, save for the first meeting of the year.

Remuneration Committee's Focus 2020

Function	Actions in 2020
Remuneration Policy	– Reviewed Remuneration Policy
Executive Director and senior management remuneration review	– Reviewed Executive Director remuneration – Reviewed C-Suite remuneration
Sets targets and incentive schemes	– Reviewed and considered incentive scheme
Workforce remuneration and benefits policies	– Reviewed gender pay gap and pay differential – Reviewed Expenses Policy

The Deputy Chairman, Chief Executive Officer, Deputy Chief Executive Officer and Chief Operating Officer, Chief Financial Officer and Chief Corporate & Legal Officer are invited to attend meetings as appropriate depending on the items on the agenda. The Committee considers their views when reviewing the remuneration of Executive Directors and other senior executives; however, no Directors are involved in the consideration of their own remuneration and only members of the Committee have the right to vote at Committee meetings.

The Committee seeks independent advice as appropriate.

Remuneration Policy 2019/2020

The 2020 Remuneration Policy was devised by the Remuneration Committee in 2019, with the support of external expert remuneration consultants, Pearl Meyer, and crafted in consideration of the Code as well as secondary legislation and updated guidelines by major proxy advisers and governance teams of major institutional investors as explained in the Annual Report 2019. This Remuneration Policy was approved by the Board in February 2020.

The onset of COVID-19 has, however, presented a unique set of challenges for the Committee. The virus significantly impacted our operations throughout the year and meant that we had to think carefully about the application of the Policy in 2020. We had to continue to incentivise executive performance at a time where our leadership and senior management were being asked to demonstrate significant resilience. At the same time, we had to ensure the executive experience is commensurate with that of the Company overall, its shareholders, employees and other stakeholders.

The Remuneration Policy was written so that the Committee is able to exercise discretion and overwrite formulaic outcomes. The Committee used its discretion and voluntary steps taken by various levels of leadership to apply the Remuneration Policy for 2020 as noted below.

Executive remuneration – 2020 basic salary and 2019 Discretionary Bonus

The team members and leadership have shown extraordinary fortitude throughout the 2020 year. In support of the Company, a number of positions undertook voluntary salary sacrifices, deferments, share options in lieu of salary, and donated salaries to charitable endeavours. Such efforts are summarised as follows.

The Chairman of the Board has voluntarily forgone his full salary for the second financial quarter in 2020 and deferred his salary for the third and fourth quarters.

The Chief Executive Officer has voluntarily forgone his full salary for the second financial quarter in 2020 and deferred his salary for the third and fourth quarters.

The four Non-Executive Directors have voluntarily contributed 50% of their salaries in the second quarter and 20% in the third and fourth quarters to Hospitality Action, a charity organisation for the hospitality industry. Also Dawn contributed amounts in Q2-Q3.

The Chief Financial Officer, Deputy Chief Executive Officer, Chief Corporate and Legal Officer, and 38 other members of the senior leadership team have voluntarily forgone 20% salary for three months of the 2020 year and deferred the same amount for a further four months of the year.

Across our regional offices, many team members voluntarily sacrificed 10% of salary for three months and deferred the same for a period of four months.

During the pandemic, the Committee and wider Board constantly revisited the matter of the 2019 discretionary bonuses. At the time of each review, the Committee assessed that near-term financial pressures would require the Company to prioritise cash flow and therefore proceeding with payment of 2019 discretionary bonuses would not meet the current needs of the business during the extraordinary time. The payment of the 2019 discretionary bonuses has been postponed until such time as the Company deems appropriate. As the Company met its financial targets for the 2019 financial year, bonuses of the C-Suite remain deferred with a long stop date for payment of December 2022, subject to good leaver provisions.

Shares in lieu of salary for leadership positions

As of November 2020, members of the Leadership Team accepted a salary sacrifice in the same amount, for the 12-month period commencing in November 2020 and ending on 31 October 2021, in exchange for a grant of nil cost options in the amount of the base salary sacrificed. These options have a one year vesting period followed by a six month holding period. As a means of incentivising key leadership positions to remain with the Company, these salary sacrifice scheme included an element of the long term incentive plan as provided under the 2020 Remuneration Policy – see below.

2020 Share Incentive Plan

The long term Incentive element of the Remuneration Policy allows for a share option plan.

Accordingly, in November, the Company drew from the LTIP provisions of the Remuneration Policy and granted a modified version of the long term share option portion of the Remuneration Policy for certain leadership positions as part of the newly approved PPHE Executive Incentive Plan 2020. The grant was subject to certain conditions as set out in the table below and coincided with the shares is lieu of salary referred to above.

With regard to the Chief Financial Officer and Executive Director and the other members of the C-Suite, the long term share options granted in 2020 shall vest in equal tranches, with 33.33% vesting each year for three years. The remaining Leadership Team were granted share options under the plan with full vesting after three years. In providing the options in this manner, the Company has not complied with Provision 36 of the Code which requires a minimum of five year vesting period. However, the Committee believes that in diverging from the Code on this occasion, it was done with the spirit of the Code in mind, which allows for flexibility in applying the remuneration policy and emphasises the importance of utilising remuneration policies to promote long-term success of the Company.

Ensuring the Executive Leadership is motivated, rewarded and incentivised to continue in their roles is congruent to the Company's long-term strategy.

The PPHE Executive Incentive Plan 2020 is subject to reasonable and appropriate malus and clawback provisions, in compliance with Provision 37 of the Code.

The Remuneration Policy operated as intended by promoting the long-term sustainable success of the Company and supporting its strategy.

Summary of the 2021 Remuneration Policy

Over the course of 2020 it became apparent that the Group's existing remuneration policy needed updating and was no longer appropriate in the near term, in light of the difficult market conditions caused by the COVID-19 pandemic. The Committee therefore deemed it prudent to consider a short-term remuneration policy which will be applicable also for the 2021 year which was considerate to the financial pressures sustained by the Group due to the COVID-19 pandemic, a primary element of which was the share incentive plan described above.

The main updates to the previous remuneration policy relate to the adoption of a new long term incentive plan details of which are set out in the table below. However, a summary of the Company's policy on each element of remuneration that will apply in 2021 is also included for reference. As further detailed below, the Committee believes that the Company's remuneration structures are aligned to the Company's purpose, strategy and entrepreneurial culture.

Base Salary

Purpose and link to strategy	To provide a market competitive salary that will attract, motivate and retain executives with the right expertise who are instrumental in driving and growing the business and delivering the Company's strategic goals.
Operation	Salaries in the Group are based on the value of the individual, the level of responsibility, experience and market conditions. Salaries are reviewed at least annually but not necessarily increased. The Committee may award salary increases at other times of the year if it considers such an award to be appropriate. In reviewing salaries, salaries are benchmarked against appropriate comparable organisations and account is taken of significant changes in role, levels of pay in the broader workforce, the Group's performance, inflation and budgets.
Maximum	The salary payable to Executive Directors will normally be capped at the upper quartile of the relevant market benchmark for the role under review. This maximum salary represents the highest end of the range at which the Committee would expect the base salary to be set, rather than the actual amount to be paid. There is no separate cap on the annual increase to base salaries. However, the Committee will normally determine the appropriate level of increase for Executive Directors taking into account the general level of increase for the broader workforce, but on occasion may need to make a more significant increase to recognise additional responsibilities, or an increase in the scale or scope of the role.

Senior Corporate Annual Bonus Plan

Purpose and link to strategy	In principle, senior management are eligible to participate in an annual bonus scheme. The aim is that the transparent structure and balanced score card approach of the plan will: – incentivise management to drive Group strategy and performance; and – ensure that a significant proportion of the total remuneration package is linked to performance of the Group and the individual against clear KPIs during the financial year. This Plan has been suspended for the 2020 and 2021 financial years pending lifting of the changing restrictions on operation and hotels and in anticipation of recovery and return of certainty. The Committee is keeping this under review during 2021 and will make its recommendation in line with developments and progress of market recovery.

Share Incentive Plan awards

Purpose and link to strategy	The revised LTIP allows for the award of market value options, salary related options, deferred bonus awards and performance share awards to all employees. The long term and phased vesting of these awards, along with the ability of the Committee to apply additional holding periods are designed to: drive and reward sustainable performance over the long-term; align the interests of executives and shareholders; and support talent retention. In particular, the salary-related awards that were offered to key employees in 2020 were aimed at preserving cash flow, whilst incentivising key employees to support the Group in its recovery from the pandemic and linking in with our succession planning. Prior to the salary-related options being formally offered to the relevant employees, proposals were discussed with the relevant individuals, providing the opportunity for questions to be answered. The grant of the market value options in conjunction with the salary-related awards was initiated with a target of ensuring the Executive Leadership Team is motivated, rewarded and incentivised to continue in their roles over the coming three years of anticipated recovery of the Company and the wider industry from the pandemic.

Operation	The long term incentive plan allows for the award of the following options which are subject to the rules of the PPHE Executive Incentive Plan 2020: – market value options – options that are linked to the market value of the shares in the Company; – salary-related options – whereby employees agree to a reduction in their base salary in exchange for the right to acquire Shares at nil-cost. These options normally vest after 12 months subject to an additional six-month holding period; – deferred bonus awards – allowing the award of the number of shares determined by the Committee in lieu of some or all of the annual bonus; and – performance share awards – options which are granted subject to specified performance targets. Notwithstanding the extent to which any performance target is satisfied, the number of vested award shares may be reduced by the Committee to ensure that the number of vested award shares is appropriate taking into account the underlying business performance of the Group. These awards are subject to the rules of the PPHE Executive Incentive Plan 2020 which may include: long-term vesting periods prescribed by the Committee upon grant; good-leaver and bad leaver provisions allowing the Committee to exercise discretion as to when it might be appropriate for an award to vest in spite of the relevant employee leaving the Group; post-vesting holding periods determined by the Committee at the time of the award; and share capital dilution limits. The plan allows dividends or dividend equivalents to accrue, subject to the Committee's discretion.
Maximum	The aggregate market value (as determined by the Committee at or prior to the Award Date) of shares in respect of which performance share awards and/or restricted stock awards are made to an Employee in any Financial Year are capped at 100% of the Employee's annual base salary at the Award Date.
Long Term Retention bonus	The retention bonus provides an additional payment outside of base salary. It ranges in fixed amounts accruing per year with duration of the plan per individual ranging from three to five years depending on the role and contribution to the delivery of the strategy. The Committee has the ability to delay payments as is appropriate.

Pension

Purpose and link to strategy	The provision of retirement benefits supports the Company in attracting and retaining executives and promoting long-term retirement planning. The Company has taken note of Provision 38 of the Code and is taking advice on the steps needed to use best endeavours to comply in due course as of the effective date of this provision entering into force.
Operation	A defined cash contribution may be made into either a Company sponsored pension plan or a private pension plan or as cash in lieu of pension.
Maximum	Pensions are awarded in line with the practice applicable country of employment of the relevant employee.

Directors' fees

Base Fee	The Non-Executive Director fees are decided by the Board in accordance with the Company's articles of incorporation. This fee is the same for each Non-Executive Director.
Chairman Fee	In the case of the Chairman and Deputy Chairman, both receive a set fee which is set by the Remuneration Committee and agreed by the Board. The Chairman's fee is determined by taking into account the time commitment and responsibilities of the role, as well as the role holder's skills, gravitas and qualifications to lead the Board.
Additional Fees	Non-Executive Directors are paid a set additional fee for being Senior Independent Director, a member of a Board Committee and for chairing a Board Committee. This fee is the same for each Non-Executive Director, with exception of the Deputy Chair who attracts an additional fee for the role.
Appointment term and other matters	The Independent Non-Executive Directors each have rolling letters of appointment which may be terminated by either party on three months' notice. Non-Executive Directors are not entitled to bonuses, benefits or pension scheme contributions or to participate in any share scheme operated by the Company. In addition to any remuneration payable, a Non-Executive Director may be paid reasonable travel, hotel and other expenses properly incurred in discharging the Director's duties. Fees cease immediately in the event the Non-Executive Director ceases to be a Director. Directors are entitled to the benefits afforded by the Group's Directors and Officers Insurance.
Termination	Boris Ivesha has a rolling contract which may be terminated on 12 months' notice by the Group or on six months' notice by Boris Ivesha. Daniel Kos has a rolling contract which may be terminated on six months' notice by the Group or on three months' notice by Daniel Kos. There are provisions for earlier termination by the Group in certain specific circumstances. Each Non-Executive Director has specific terms of appointment. The Chairman's letter of appointment provides for an indefinite term. The Board believes that Eli Papouchado's extensive experience and knowledge of the Group's business, as well as the hotel business generally, justify this departure from the recommendations of the Code. Kevin McAuliffe's letter of appointment provide for a fixed term expiring on 14 June 2021, subject to re-election at each Annual General Meeting. All the Non-Executive Directors' appointment letters (including the Chairman's) are subject to termination by either side on three months' notice. Other than salary and benefits in relation to the notice period, the letters of appointment contain provisions for termination by the Group in certain specific circumstances. Details of the contract dates and notice periods are set out in the table below. The letters of appointment are available for inspection at the Company's registered office.

Terms of appointment

Director	Date of appointment	Term of appointment	Notice period
Eli Papouchado	26 June 2007	Indefinite	3 months
Boris Ivesha	14 June 2007	Indefinite	12 months from Group, 6 months from Boris Ivesha to the Group
Daniel Kos	27 February 2018	Indefinite	6 months from Group, 3 months from Daniel Kos to the Group
Kevin McAuliffe	15 June 2007	14 June 2021	3 months
Ken Bradley	4 September 2019	AGM-2021	3 months
Nigel Keen	20 February 2020	AGM-2021	3 months
Stephanie Coxon	7 August 2020	AGM-2021	3 months

Shareholder vote

Under Guernsey law, shareholders are not entitled to vote on the Company's remuneration structure. The Company aims to achieve the heightened level of governance and compliance set out by the Code and will review its approach to engaging with investor bodies on the updates to the remuneration policy.

Remuneration on recruitment

Reward packages for new Executive Directors will be consistent with the above Remuneration Policy. Fixed remuneration elements would be paid only from the date of employment and any bonus will be pro-rated to reflect the proportion of the year employed. The maximum level of variable remuneration is as stated in the policy table above.

Termination payments

The Company's normal policy is to limit payments to Executive Directors on termination to contractual entitlements under their service agreements and the rules of any incentive and pension plans. There is no automatic entitlement to bonus as part of the termination arrangements, and the value of any terminating arrangement will be at the discretion of the Committee, having regard to all relevant factors. This Committee maintains discretion if the Committee determines the Executive Director is on good leaver status.

Directors Remuneration Table 2020

Remuneration for each person who served as a Director of the Company during 2020 is set out in the table below:

		Base salary and fees		Salary Sacrifice Options		Additional remuneration		Bonus		Pension contributions		Retention award		Other benefits		Total[1]		Sub-total Cash paid	
	Position	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Boris Ivesha[15]	President & CEO	**312,672**[2]	426,542	**–**	–	**–**	–	**–**	–	**100,000**[2,3]	100,000	**–**	–	**15,795**	5,107	**428,467**	531,649	**116,231**	531,649
Daniel Kos	CFO	**267,139**[4,5]	228,996	**9,334**[5]	–	**–**	–	**75,000**[6]	60,000	**13,748**	13,131	**–**[7]	52,526	**–**	–	**365,221**	354,653	**280,887**	354,653
Eli Papouchado	Non-Executive Chairman	**150,000**[8]	200,000	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**150,000**	200,000	**50,000**	200,000
Kevin McAuliffe[15]	Non-Executive Deputy Chairman	**77,500**[9]	100,000	**–**	–	**–**	10,000	**–**	–	**–**	–	**–**	–	**–**	–	**77,500**	110,000	**77,500**	110,000
Ken Bradley[10]	Non-Executive Director	**42,083**[9]	18,100	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**42,083**	18,100	**42,083**	18,100
Nigel Keen[11]	Senior Independent Director	**37,771**[9]	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**37,771**	–	**37,771**	–
Nigel Jones[12]	Senior Independent Director	**23,810**[9]	65,625	**–**	–	**–**	10,000	**–**	–	**–**	–	**–**	–	**–**	–	**23,810**	75,625	**23,810**	75,625
Stephanie Coxon[13]	Non-Executive Director	**17,543**[9]	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17,543**	–	**17,543**	–
Dawn Morgan[14]	Non-Executive Director	**33,953**[9]	59,048	**–**	–	**–**	10,000	**–**	–	**–**	–	**–**	–	**–**	–	**33,953**	69,048	**33,953**	69,048
		962,471	1,098,311	**9,334**	–	**–**	30,000	**75,000**	60,000	**113,748**	113,131	**–**	52,526	**15,795**	5,107	**1,176,348**	1,359,075	**679,778**	1,359,075

The CEO's and CFO's remuneration is denominated in € and converted to £ at average exchange rate for presentation purposes.

1 The total fees include the amounts which became payable in the 2020 financial year to the relevant Directors which were deferred.

2 Boris Ivesha received payment of pension and salary for Q1 2020 in the amount of €135,000 (£116,231). Boris sacrificed full salary during Q2 2020. He voluntarily deferred full payment for 2 quarters of 2020. The deferred amounts have not been paid to Mr. Ivesha as of the publication date of this Report, however they are included in the table under base salary as the right to the deferred amount accrued during the 2020 financial year.

3 Boris Ivesha was not paid his pension during Q2, Q3 and Q4 of 2020, which was voluntarily deferred. It is listed in the Pension Contribution for 2020 as the right to the deferred amount accrued during the 2020 financial year, and will be due for payment to him at some point in the future.

4 Daniel Kos received a salary increase in January 2020, prior to the onset of the COVID-19 pandemic, bringing the base salary to €330,400 (£293,817).

5 Daniel Kos sacrificed 20% of his salary in Q2. Daniel Kos further agreed to exchange 20% of his base salary for 12 months as of 1 November 2020 with nil cost options in accordance with the 2020 PPHE Executive Share Option Plan (see Note 13 on page 156).

6 Daniel Kos has agreed to defer his bonus in respect of 2019 financial year which targets have been met and was due to be paid in 2020 in the amount of £75,000, payable by no later than December 2022, subject to leaver provisions.

7 Daniel Kos joined the retention bonus scheme as of 1 January 2020. The retention bonus scheme awards the amount of £50,000 cash per year, payable on the 5th anniversary of joining only if the participant remains in employment subject to leaver provisions, as further specified in the scheme rules.

8 Papo received payment of fees for Q1 2020 in the amount of £50,000. Papo sacrificed full salary during Q2 2020. He voluntarily deferred full payment for two quarters of 2020. The deferred amounts have not been paid to Papo as of the publication date of this Report, however they are included in the table under base salary as the right to the deferred amount accrued during the 2020 financial year.

9 Non-Executive Directors received full payment of fees for Q1 2020 in a total amount of £74,437. Each Non-Executive Director, who was on the Board during Q2, voluntarily directed the charitable donation of 50% of their Q2 gross quarterly fees and 20 per cent of their Q3 and Q4 gross fees to Hospitality Action, a UK registered charity for the hospitality industry.

10 Ken Bradley was appointed to the Board on 4 September 2019.

11 Nigel Keen was appointed to the Board on 20 February 2020.

12 Nigel Jones retired from the Board and did not stand for re-election at the 2020 AGM.

13 Stephanie Coxon was appointed to the Board on 7 August 2020.

14 Dawn Morgan resigned from the Board effective 30 September 2020.

15 Boris Ivesha, Kevin McAuliffe and Yoav Papouchado are entitled to additional remuneration for their services on the supervisory board of the Group's subsidiary, Arena Hospitality Group, which is not included in the table above. In 2020, the total fee for Boris' services amounted to HRK 140,560 (£16,591) (2019: HRK 156,099 (£18,425)), the total fee for Kevin McAuliffe's services amounted to HRK 140,560 (£16,591) (2019: HRK 156,099 (£18,425)) and the total fee for Yoav Papouchado's services amounted to HRK 140,560 (£16,591) (2019: HRK 156,099 (£18,425)). It should be noted that Yoav Papouchado is not remunerated for his position as an Alternate Director of the Company.

Options

	Number of options	Number vested as at 31 Dec 2020	Exercise price
Daniel Kos	50,000	50,000	6.9
	25,000	16,667	14.3
	100,000	–	13
	4,308	718	0

Gender pay gap

In consideration of the changes to the workforce in the 2020 year, the Company did not believe the figures as assessed on 5 April 2019 or 5 April 2020 were capable of providing reasonable insight into the Company's approach to the gender pay gap. Therefore the Company utilised the leniency provided under the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 and did not publish its gender pay gap update in April 2019. Information on our gender pay gap for previous years can be found at https://www.pphe.com/responsibility/responsible-reporting.

As a Company, we are continuing with our aim of narrowing the gender pay gap, where such efforts were capable of making an impactful change in 2020. As operations return, the Company will be mindful of the gender pay gap. We remain cognizant that the industry faces the challenge of attracting applicants of both genders for roles where traditional gender associations exist. We intend to continue working with peers and through UKHospitality, a trade association for the UK hospitality industry, to raise awareness and promote all roles to be attractive to any gender. We have seen successes in women applying for engineering and chef roles and men going into housekeeping, meeting and event, sales and front office receptionist positions through our apprenticeship programme. This gap will close over time with continued cross-industry initiatives.

We will continue to implement strategies to minimise this gap and do our part to discourage the gender stigma that accompanies certain jobs within our hotels, such as housekeeping and maintenance support. Accordingly, we will continue to measure our gender pay regularly to ensure that what we are doing is having the desired effect, and if not, what we can do differently.

Nigel Keen
Non-Executive Director,
Chair of the Remuneration Committee

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2020.

The Strategic Report and Directors' Report together are the Management Report for the purposes of Rule 4.1.8R of the DTR.

The following matters have been included in the Strategic Report but are incorporated by reference into this Directors' Report:

Topic	Section of the report	Page
Fair view of the Company's business	Strategic Report	2 to 81
Principal risks and uncertainties	Strategic Progress in 2020, Our Approach to Risk Management and Principal Risks and Uncertainties	28 to 40
Strategy	Strategic Report	20 to 30
Business Model	Our Business Model	6
Important events impacting the business	Strategic Report	8 to 81
Likely future developments	Strategic Report	8 to 81
Financial key performance indicators	Highlights	Highlights
Non-financial key performance indicators	Stakeholder engagement, team member engagement	68 to 71
Environmental matters	Responsible Business	78 to 81
Company's employees	Highlights	Highlights
Social, community and human rights issues	Responsible Business	71 to 81
S172 and relationship with suppliers, customers and others	Deputy Chairman's statement	82
Greenhouse gas emissions	Directors' Report	122
Directors' induction and training	Directors' induction	102 to 103

The following matters have been included in the Corporate Governance Report but are incorporated by reference into this Directors' Report:

Gender breakdown of Board and Leadership	Diversity	105

Appointment and replacement of Directors

Pursuant to the Articles, the Board has the power to appoint any person to be a Director. At every general meeting, a minimum of one third of the Directors shall retire from office. No person, other than a Director retiring at a general meeting, shall, unless recommended by the Directors, be eligible for election at a general meeting as a Director unless notice has been received from such person. In accordance with the Code and good corporate governance practice, the entire Board will stand for re-election at the forthcoming Annual General Meeting.

Pursuant to the Articles, Euro Plaza Holdings B.V. ('Euro Plaza') may:

– nominate two Non-Executive Directors to the Board for so long as Euro Plaza and its associates directly or indirectly control at least 30% of the issued shares in the Company; and
– nominate one Non-Executive Director to the Board for so long as Euro Plaza and its associates control at least 10% but less than 30% of the issued shares of the Company.

Pursuant to the Articles, Molteno Limited may nominate one Non-Executive Director to the Board for so long as Molteno Limited and its associates directly or indirectly control at least 10% of the issued shares in the Company.

The shareholders may, by ordinary resolution, resolve to remove any Director before the expiration of his or her period of office and appoint a replacement Director.

Share capital

The issued share capital of the Company together with the details of the movements in the Company's share capital during the year are shown in Note 12 to the consolidated financial statements.

Shares

There is currently only one class of share in issue (being ordinary shares) which all carry the same rights as one another. There are no shares in the Company which carry special rights with regard to control of the Company.

The following limitations on voting rights of shareholders apply:

– the Board may suspend the voting rights attached to any shares owned directly, indirectly or beneficially by a Non-Qualified Holder (as defined in the Articles)
– the Directors may at any time make calls upon the shareholders in respect of any unpaid shares. No shareholder is entitled to vote unless all calls due from him have been paid

The following deadlines for exercising voting rights apply:

– a written resolution will state a date by which the resolution must be passed. The Law imposes a default lapse date of 28 days from circulation of the written resolution if no lapse date is specified
– in the case of resolutions passed at general meetings of shareholders, voting rights may only be exercised at the time the resolution is proposed at the meeting

Any arrangements by which the financial rights to shares are held by a person other than the registered shareholder would be by agreement between the shareholder and the beneficiary. The Company is not obliged to recognise any such trust arrangements and shall pay any dividends to the registered shareholder.

With the prior approval of the shareholders by ordinary resolution, the Board may exercise all powers of the Company to allot and issue, grant rights to subscribe for, or to convert any securities into, an unlimited number of shares of each class in the Company.

Unless such shares are to be wholly or partly paid otherwise than in cash or are allotted or issued pursuant to an employee share scheme, any shares to be allotted and issued must first be offered to the existing shareholders on the same or more favourable terms.

The Company may from time to time acquire its own shares subject to the requirements of the Law. The Law requires the prior approval of any share buy-back by way of ordinary resolution of the shareholders and a certification by the Board that the Company satisfies the solvency test set out in the Law.

Articles

The Articles may be amended at any time by passing a special resolution of the shareholders pursuant to the Law. A special resolution is passed by a majority of not less than 75% of the votes of the shareholders entitled to vote and voting in person or by attorney or by proxy at a meeting or by 75% of the total voting rights of eligible members by written resolution.

Substantial share interest

The table provided on page 121 shows shareholders holding 5% or more of the issued share capital (excluding treasury shares) as at 26 February 2021.

No further interests have been disclosed to the Company in accordance with DTR 5 in the period between the end of the financial year and 26 February 2021.

Number of issued shares	44,347,410
Shares held in treasury by the Group	1,808,070
Number of issued shares (excluding treasury)	42,539,340

Shareholders with holding 5% or more of the Company's issued share capital (excluding treasury) as at 26 February 2021.

	Number of Ordinary Shares	Percentage of the Company's issued share capital[1]
Eli Papouchado[2]	13,760,260	32.35
Boris Ivesha[3]	4,636,974	10.90
Aroundtown Property Holdings	4,246,974	9.98
Clal Insurance Enterprises Holdings	3,461,941	8.14
Harel Insurance Investments and Financial Services	2,577,760	6.06

1 Excludes shares held in treasury.
2 Eli Papouchado is deemed to be interested in the Ordinary Shares held by Euro Plaza, Red Sea Club Limited and A.A. Papo Trust Company Limited.
3 Boris Ivesha (the President and Chief Executive Officer of the Company) is deemed to be interested in 4,636,974 Ordinary Shares held by Walford which is wholly-owned by Clermont, as trustee of certain trusts established for the benefit of Boris Ivesha and his family.

Controlling shareholders

The Company's immediate controlling shareholders are Euro Plaza Holdings B.V. and Walford Investments Holdings Limited ("Walford"). Euro Plaza is ultimately controlled by Eli Papouchado, acting in his capacity as trustee of an endowment created under Israeli law ("the Endowment"). Walford is ultimately controlled by Clermont Corporate Services Limited ("Clermont"), a professional corporate trustee in its capacity as trustee of certain trusts established for the benefit of Boris Ivesha and his family. As required under Listing Rule 9.2.2 R(1), the Company has entered into separate relationship agreements with: (i) Euro Plaza and Eli Papouchado (acting in his capacity as trustee of the Endowment) and (2) Walford and Clermont, which as a concert party hold 43.25% of the issued share capital of the Company.

The Company has complied with the undertakings in Listing Rule 6.5.4R and Listing Rule 9.2.2ADR(1) since admission to the Premium Listing segment. So far as the Company is aware, these undertakings have also been complied with by Euro Plaza, Eli Papouchado, acting in his capacity as trustee of the Endowment, Walford and Clermont since admission.

In accordance with the relationship agreements entered into the Company's controlling shareholders, each of Euro Plaza and Walford is entitled to appoint representatives to the Board of the Company. Mr. Eli Papouchado is cleared to be the representative of Euro Plaza and Mr. Boris Ivesha is cleared to be the representative of Watford for these purposes.

DTR disclosures

Eli Papouchado is deemed to be interested in 13,760,260 ordinary shares, which constitutes 32.35% of the issued share capital (excluding treasury shares) of the Company:

- 12,207,843 ordinary shares held by Euro Plaza;
- Euro Plaza is an indirect wholly-owned subsidiary of A.P.Y. Investments & Real Estate Ltd ('APY'). 98% of the shares in APY are held by Eli Papouchado;
- 22,417 ordinary shares held by Red Sea Club Limited, a subsidiary of APY; and
- 1,530,000 ordinary shares held by A.A. Papo Trust Company Limited, which is wholly-owned by Eli Papouchado.

Boris Ivesha is deemed to be interested in 4,636,974 ordinary shares, which constitutes 10.90% of the issued share capital (excluding treasury shares) of the Company. The shares are held by Walford which is wholly owned by Clermont, as trustee of certain trusts established for the benefit of Boris Ivesha and his family.

Eli Papouchado, Euro Plaza, APY and A.A. Papo Trust Company Limited and other parties related to him (together the "Red Sea Parties") and Walford, Clermont, Boris Ivesha and other parties related to him (together the "Ivesha Parties") are a party to a shareholders agreement dated 14 March 2013 (as amended from time to time) (the "Shareholders Agreement"). Pursuant to the Shareholders Agreement, it has been agreed that for so long as, inter alia, the combined interests of the Ivesha Parties and the Red Sea Parties in the Company are not less than 30% and the Red Sea Parties' interest in the Company is at least 20% of the share capital then in issue (excluding, in both cases, shares held in treasury), on any shareholder resolution all shares held by the Ivesha Parties shall be voted in a manner which is consistent with the votes cast by, or on behalf of, the Red Sea Parties in respect of that resolution. As a result, the Red Sea Parties are all considered to be interested in the shares in which the Ivesha Parties are interested.

Article 19 of the Market Abuse Regulation

The interests of each Director disclosed to the Company under Article 19 of the Market Abuse Regulation as at the end of the financial year are set out above and on page 118.

There have been no changes in the interests of each Director in the period between the end of the financial year and 26 February 2021.

Listing Rule 9.8.4R

The following table is disclosed pursuant to Listing Rule 9.8.4R. The table sets out only those sections of Listing Rule 9.8.4R which are applicable to the Company. The information required to be disclosed can be located in the Annual Report at the references set out below:

Section	Information	Location
4	Details of long-term incentive schemes	Note 13 to the consolidated financial statements
10	Contracts of significance	Notes 14 and 30 to the consolidated financial statements
11	Provision of services by a controlling shareholder	Note 30 to the consolidated financial statements
14	Controlling shareholder statement	Directors' Report

DTR 7.2.8

The following table is disclosed pursuant to Listing Rule 7.2.

Requirement	Page
Diversity Policy	104

Streamlined Energy and Carbon Reporting

In compliance with the new UK government Streamlined Energy and Carbon Reporting, UK Scope 1, Scope 2 and Scope 3 emissions, intensity ratio and yearly comparisons are provided below.

Total Emission Scope

Emission Type	Total Volume (kWh)	Calculated Emissions (Tonnes of CO_2e)
Scope 1 (direct)	19,203,213	3,532
Scope 2 (indirect)	20,787,984	4,847
Scope 3 (indirect)	–	–
Total	**39,991,198**	**8,379**

Emission	**Year 1 2020***
Tonnes of CO_2e	**8,379**
Intensity Ratio (tCO_2e) / Turnover £m)	**148.30**

* As this is the first year of reporting, there are no comparisons of change from previous years.

Quantification and Reporting Methodology

The organisation has taken guidance from the UK Government Environmental Reporting Guidelines (March 2019), the GHG Reporting Protocol – Corporate Standard, and from the UK Government GHG Conversion Factors for Company Reporting document for calculating carbon emissions. Energy usage information (gas and electricity) has been obtained directly from their energy suppliers and HH/AMR data, where available, for those supplies with HH/AMR meters. For supplies where there wasn't complete 12 month energy usage available, flat profile estimation techniques were used to complete the annual consumption. Transport was estimated for 3 company vehicles based on data provided for ESOS and proportioned based on limited travel for 2020. CO_2e emissions were calculated using the appropriate emission factors from the UK Government GHG conversion information and retained within the organisations Data File for reference where required.

Energy Efficiency Action

For energy efficiency actions, please see Our Planet section on pages 78 to 81.

Auditors

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Going concern

The Board believes it is taking all appropriate steps to support the sustainability and growth of the Group's activities. Since the start of the COVID-19 pandemic multiple cash flow forecasts showing various scenarios for the period of 12 months from the date of signing these financial statements have been reviewed as part of the Group's three-year forecast to 31 December 2023, as set out on page 41. In determining the assumptions used in cash flow forecasts, the Directors considered various third party market predictions and considered the current principal and emerging risks facing the Group while focusing specifically on COVID-19 and the impact this could have on future performance and liquidity of the Group. Based on these cash flow forecasts, the directors confirm they have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. This, taken together with their conclusions in Note 1(c) to the consolidated financial statements, has led the Directors to conclude that it is appropriate to prepare the 2020 consolidated financial statements on a going concern basis.

Financial risk management objectives and policies

In addition, Note 31 to the consolidated financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

Directors' responsibilities

The Directors are required to prepare the Annual Report and the consolidated financial statements for each financial year to give a true and fair view of the state of affairs of the Company and the undertakings included in the consolidation taken as a whole as at the end of the financial year, and of the profit or loss for that year.

In preparing the consolidated financial statements, the Directors should:

– select suitable accounting policies and apply them consistently;
– make judgments and estimates that are reasonable;
– state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
– prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the consolidated financial statements. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the consolidated financial statements have been properly prepared in accordance with the Law. The Directors are responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' declaration

So far as each of the Directors, who is a director at the time the Directors' Report is approved, is aware, there is no relevant audit information of which the Company's auditor is unaware and each has taken all the steps he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' responsibility statement

Each of the directors named on pages 84 and 85, save for Nigel Jones and Dawn Morgan who were no longer Directors as of the time of the publication, confirms to the best of his or her knowledge that:

(i) the consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and

(ii) the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face, and provides information necessary for shareholders to assess the Company's performance, business model and strategies.

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board by

Boris Ivesha
President &
Chief Executive Officer

Daniel Kos
Chief Financial Officer
& Executive Director
1 March 2021

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Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of PPHE Hotel Group Limited (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements:

– give a true and fair view of the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended;
– have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union; and
– have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), including the Crown Dependencies' Audit Rules and Guidance, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the key matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters 2020

1. Impact of Covid-19 on PPHE Group's business, its assessment of liquidity risks and impairment

From January 2020, Covid-19 began to spread from China to many countries across the world. Governments and authorities across the globe took various measures to mitigate the spread of the virus, primarily by enforcing partial or complete population 'lockdowns', closing geographical borders, temporarily closing businesses and imposing social distancing. As a result of these measures, the Group's operations were significantly impacted.

Note 1c to the consolidated financial statements describes the Group's actions to mitigate the impact of the pandemic, including cash flow and operating cost reduction measures. We determined that this situation is a significant audit risk due to possible breaches of loan covenants, and the increased uncertainty of adequate funding on the Group's assessment of liquidity risk. This assessment is largely based on management expectations and estimates. The assumptions are affected by subjective elements such as the estimate of expected future cash flows, forecasted results and margins from operational activities, and the ability to meet financial covenants. These estimates are based on assumptions, including expectations of future economic and market developments related to the long-term impact of Covid-19.

As discussed in Notes 4,5 and 19 to the consolidated financial statements, given the adverse effect that Covid-19 had on the hospitality sector, the Group also considered the impact of Covid-19 as an indicator of impairment of intangible assets, property, plant and equipment, and right-of-use assets. Accordingly, the recoverable amounts of these assets were determined based mostly on third party valuations using discounted cash flow models.

How our audit addressed the matter
We evaluated the Directors' assessment of liquidity risk and performed the following procedures:

- We obtained management's cash flow forecasts used to support the Directors' liquidity risk assessment and evaluated the key assumptions in the forecasts and considered whether these were supported by the evidence we obtained, including Board approved budgets.
- We tested the integrity of the underlying calculations and performed sensitivity analyses on the key drivers of the cash flow forecasts.
- We considered the reasonableness of a severe but plausible downside scenario and the determination of sufficient liquidity headroom.
- We obtained evidence supporting the Group's receipt of loan covenant waivers, as necessary, to avoid defaults for a period beyond at least 12 months from the date of approval of the consolidated financial statements.
- We reviewed the suitability and adequacy of the disclosures in the consolidated financial statements explaining the impact of Covid-19 on the results of operations, and the Directors' explanation of their assessment of the liquidity risk that was consistent with the evidence we obtained.

We evaluated management's tests of impairment of intangible assets, property, plant and equipment, and right-of-use assets by performing the following procedures:

- We obtained the third-party valuations and with the assistance of our valuation experts tested the data used in the valuation. Our focus included evaluating the methodology used, reviewing the reasonableness of key assumptions, including capitalisation rates, revenue and expense growth rates, and discount rates.
- We reviewed and tested the details and mathematical accuracy of projected cash flows.
- We reviewed the appropriateness of the disclosures of the impairment losses that were recorded and their consistency with the evidence we obtained from the performance of our procedures.

2. Decentralised operations
PPHE Hotel Group is a group with more than 100 legal entities (together, the Group), grouped in four reportable segments. The geographical decentralised structure, multiplicity of IT systems and the number of group entities (components) increase the complexity of the Group's control environment and thus, effects our ability as group auditor to obtain an appropriate level of understanding of these components. Also in our role as group auditor it is essential that we obtain an appropriate level of understanding of the significant components in the Group and the audit work performed by the component's auditors.

How our audit addressed the matter
We have evaluated the Group's internal controls, including the centralised monitoring controls that exist at both Group and segment level. The Group has developed an internal control framework with control activities that are required to be implemented by the components. Management continually reviews their systems and procedures for improvements and harmonisation across the Group.

During our audit, we have specifically focused on risks in relation to the decentralised structure and as a result, we have extended our involvement in audit work performed by the components' auditors. Among other audit procedures, we organised video conference calls with components' auditors. We have also requested components' auditors to specifically address certain risks and attention areas defined at group level, by requiring all teams to perform specific audit procedures in order to ensure a consistent approach in areas that were deemed most relevant from a group audit perspective to mitigate the risks identified by the group auditor. We also performed tests on consolidation adjustments and manual journal entries, both at Group and component level to obtain an understanding of significant entries made.

Other information included in the Group's 2020 Annual Report
Other information consists of the information included in the 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of management and the Audit Committee for the financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude, on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and Regulatory Requirements:

Pursuant to Section 9.8.10 (1) and (2) of the Listing Rules in the United Kingdom, we were engaged to review Management's statement pursuant to Section 9.8.6 R (6) of the Listing Rules of the Financial Conduct Authority that relate to provisions 6 and 24 to 29of the UK Corporate Governance Code and Management Board's statement pursuant to Section 9.8.6 R (3) of Listing Rules of the Financial Conduct Authority in the financial year 2020 included in the "Viability statement" of management report and in the section "Going concern reporting according to the UK Corporate Governance Code". We have no exceptions to report.

The partner in charge of the audit resulting in this independent auditors' report is Ronen Kimchi.

RONEN KIMCHI
(For and on behalf of Kost Forer Gabbay & Kasierer, member of Ernst & Young Global)
Tel Aviv, Israel
01 MARCH 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2020 £'000	2019 £'000
Assets			
Non-current assets:			
Intangible assets	4	**17,754**	18,036
Property, plant and equipment	5	**1,201,358**	1,113,661
Right-of-use assets	19	**223,793**	217,990
Investment in joint ventures	6	**4,741**	18,151
Other non-current assets	7	**15,958**	18,358
Restricted deposits and cash	14(b)	**2,261**	1,841
Deferred income tax asset	27	**6,724**	5,173
		1,472,589	1,393,210
Current assets:			
Restricted deposits and cash	14(b)	**4,777**	3,541
Inventories		**2,260**	2,317
Trade receivables	8	**3,473**	12,758
Other receivables and prepayments	9	**8,044**	15,065
Other current financial assets	10	**27**	5,221
Cash and cash equivalents	11	**114,171**	153,029
		132,752	191,931
Total assets		**1,605,341**	1,585,141
Equity and liabilities			
Equity:	12		
Issued capital		**–**	–
Share premium		**131,389**	130,260
Treasury shares		**(3,482)**	(3,636)
Foreign currency translation reserve		**20,804**	8,094
Hedging reserve		**(703)**	(655)
Accumulated earnings		**161,587**	243,233
Attributable to equity holders of the parent		**309,595**	377,296
Non-controlling interests		**95,358**	103,465
Total equity		**404,953**	480,761
Non-current liabilities:			
Borrowings	15	**721,006**	664,945
Provision for concession fee on land	16	**5,399**	4,730
Financial liability in respect of Income Units sold to private investors	17	**126,155**	126,704
Other financial liabilities	18,19	**244,818**	228,973
Deferred income taxes	27	**8,472**	7,920
		1,105,850	1,033,272
Current liabilities:			
Trade payables		**6,502**	10,466
Other payables and accruals	20	**51,667**	47,326
Borrowings	15	**36,369**	13,316
		94,538	71,108
Total liabilities		**1,200,388**	1,104,380
Total equity and liabilities		**1,605,341**	1,585,141

The accompanying notes are an integral part of the consolidated financial statements. Date of approval of the financial statements 1 March 2021. Signed on behalf of the Board by Boris Ivesha and Daniel Kos.

Boris Ivesha
President & Chief Executive Officer

Daniel Kos
Chief Financial Officer & Executive Director

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	**2020 £'000**	2019 £'000
Revenues	21	**101,787**	357,692
Operating expenses	22	**(110,870)**	(233,024)
EBITDAR		**(9,083)**	124,668
Rental expenses		**(1,004)**	(1,774)
EBITDA		**(10,087)**	122,894
Depreciation and amortisation	4, 5, 19	**(46,624)**	(41,749)
EBIT		**(56,711)**	81,145
Financial expenses	23	**(35,526)**	(32,089)
Financial income	24	**391**	2,923
Other expenses	25a	**(9,736)**	(5,110)
Other income	25b	**10,299**	2,225
Net expenses for financial liability in respect of Income Units sold to private investors	26	**(2,579)**	(10,795)
Share in profit (loss) of joint ventures	6	**(826)**	178
Profit (loss) before tax		**(94,688)**	38,477
Income tax benefit	27	**724**	4,105
Profit (loss) for the year		**(93,964)**	42,582
Profit (loss) attributable to:			
Equity holders of the parent		**(81,731)**	33,915
Non-controlling interests		**(12,233)**	8,667
		(93,964)	42,582
Basic and diluted earnings (loss) per share (in Pound Sterling)	28	**(1.92)**	0.80

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	£'000	£'000
Profit (loss) for the year	**(93,964)**	42,582
Other comprehensive income (loss) to be recycled through profit and loss in subsequent periods:*		
Loss from cash flow hedges	**(90)**	(423)
Foreign currency translation adjustments of foreign operations	**16,867**	(20,958)
Other comprehensive income (loss)	**16,777**	(21,381)
Total comprehensive income (loss)	**(77,187)**	21,201
Total comprehensive income (loss) attributable to:		
Equity holders of the parent	**(69,069)**	18,580
Non-controlling interests	**(8,118)**	2,621
	(77,187)	21,201

* There is no other comprehensive income that will not be reclassified to the profit and loss in subsequent periods.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In £'000	Issued capital[1]	Share premium	Treasury shares	Foreign currency translation reserve	Hedging reserve	Accumulated earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance as at 1 January 2019	–	130,061	(3,636)	23,131	(437)	224,373	373,492	105,050	478,542
Profit for the year	–	–	–	–	–	33,915	33,915	8,667	42,582
Other comprehensive income (loss) for the year	–	–	–	(15,117)	(218)	–	(15,335)	(6,046)	(21,381)
Total comprehensive income (loss)	–	–	–	(15,117)	(218)	33,915	18,580	2,621	21,201
Share-based payments	–	199	–	–	–	–	199	–	199
Dividend distribution[2]	–	–	–	–	–	(15,263)	(15,263)	–	(15,263)
Dividend distribution by a subsidiary	–	–	–	–	–	–	–	(1,454)	(1,454)
Refund of cost in connection with prior year transactions with non-controlling interest	–	–	–	–	–	290	290	250	540
Transactions with non-controlling interests (see Note 6)	–	–	–	80	–	(82)	(2)	(3,002)	(3,004)
Balance as at 31 December 2019	–	130,260	(3,636)	8,094	(655)	243,233	377,296	103,465	480,761
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**(81,731)**	**(81,731)**	**(12,233)**	**(93,964)**
Other comprehensive income (loss) for the year	**–**	**–**	**–**	**12,710**	**(48)**	**–**	**12,662**	**4,115**	**16,777**
Total comprehensive income (loss)	**–**	**–**	**–**	**12,710**	**(48)**	**(81,731)**	**(69,069)**	**(8,118)**	**(77,187)**
Issue of shares	**–**	**870**	**154**	**–**	**–**	**–**	**1,024**	**–**	**1,024**
Share-based payments	**–**	**259**	**–**	**–**	**–**	**85**	**344**	**75**	**419**
Transactions with non-controlling interests (see Note 6)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(64)**	**(64)**
Balance as at 31 December 2020	**–**	**131,389**	**(3,482)**	**20,804**	**(703)**	**161,587**	**309,595**	**95,358**	**404,953**

1 No par value.
2 The dividend distribution in 2019 comprises a final dividend for the year ended 31 December 2018 of 19.0 pence per share and an interim dividend of 17 pence per share paid in 2019. There was no dividend distribution or dividend declaration in 2020.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2020 £'000	2019 £'000
Cash flows from operating activities:			
Profit (loss) for the year		**(93,964)**	42,582
Adjustment to reconcile profit to cash provided by operating activities:			
Financial expenses and expenses for financial liability in respect of Income Units sold to private investors		**38,105**	42,884
Financial income	24	**(268)**	(2,023)
Income tax benefit	27	**(724)**	(4,105)
Loss on buy-back of Income Units sold to private investors	25	**–**	694
Remeasurement of lease liability	25	**3,369**	3,359
Revaluation of Park Plaza County Hall London Units	25	**2,402**	(923)
Capital loss, net	25	**1,457**	92
Gain from marketable securities	24	**(123)**	(900)
Impairment of property, plant and equipment	5	**2,500**	–
Impairment of Right-of-use assets	19	**2,781**	–
Share in results of Joint Ventures	6	**826**	(178)
Release of provision for litigation	25	**–**	(1,093)
Depreciation and amortisation	4, 5, 19	**41,343**	41,749
Share-based payments		**419**	199
		92,087	79,755
Changes in operating assets and liabilities:			
Decrease in inventories		**143**	68
Decrease (increase) in trade and other receivables		**13,505**	(40)
Increase (decrease) in trade and other payables		**(8,529)**	2,043
		5,119	2,071
Cash paid and received during the period for:			
Interest paid		**(31,412)**	(44,664)
Interest received		**173**	1,412
Taxes paid		**(1,076)**	(1,748)
Taxes received		**365**	743
		(31,950)	(44,257)
Net cash provided by (used in) operating activities		**(28,708)**	80,151
Cash flows from investing activities:			
Acquisition of Hotel 88 Rooms in Belgrade, Serbia	3	**(5,350)**	–
Investments in property, plant and equipment	5	**(57,388)**	(72,422)
Disposal of property, plant and equipment		**317**	–
Investments in Intangible assets	4	**(305)**	–
Proceeds from sale of property	25	**–**	98
Loan to third party		**–**	(591)
Loan to Joint Venture		**(583)**	–
Investment in Joint Venture	6	**(2,207)**	(13,650)
Purchase plot of land nearby Waterloo Station	5	**–**	(12,582)
Decrease (increase) in restricted cash		**(1,613)**	109
Decrease in marketable securities, net		**5,318**	126
Net cash used in investing activities		**(61,811)**	(98,912)

The accompanying notes are an integral part of the consolidated financial statements.

	Year ended 31 December	
	2020	2019
	£'000	£'000
Cash flows from financing activities:		
Proceeds from loans and borrowings	**56,948**	9,600
Buy-back of Income Units previously sold to private investors	**–**	(1,622)
Repayment of loans and borrowings	**(7,530)**	(15,455)
Repayment of leases	**(1,567)**	(3,385)
Net proceeds from transactions with non-controlling interest	**(64)**	(3,004)
Refund of cost in connection with prior year transactions with non-controlling interest	**–**	540
Dividend payment	**–**	(15,263)
Dividend payment by a subsidiary	**–**	(1,454)
Net cash provided by (used in) financing activities	**47,787**	(30,043)
Decrease in cash and cash equivalents	**(42,732)**	(48,804)
Net foreign exchange differences	**3,874**	(5,827)
Cash and cash equivalents at beginning of year	**153,029**	207,660
Cash and cash equivalents at end of year	**114,171**	153,029

Non-cash items:		
Lease additions and lease remeasurement	**15,143**	5,946
Outstanding payable on investments in property, plant and equipment	**3,918**	–
Issuance of shares for acquisition of art'otel rights	**1,024**	–

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 General

a. The consolidated financial statements of PPHE Hotel Group Limited (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2020 were authorised for issuance in accordance with a resolution of the Directors on 1 March 2021.

The Company was incorporated in Guernsey on 14 June 2007 and is listed on the Premium Listing segment of the Official List of the UK Listing Authority (the UKLA) and the shares are traded on the Main Market for listed securities of the London Stock Exchange.

b. Description of the Group business:

The Group is an international hospitality real estate group, which owns, co-owns and develops hotels, resorts and campsites, operates the Park Plaza® brand in EMEA and owns and operates the art'otel® brand.

The Group has interests in hotels in the United Kingdom, the Netherlands, Germany, Hungary and Serbia and hotels, self-catering apartment complexes and campsites in Croatia.

c. Assessment of going concern and liquidity:

From January 2020, COVID-19 began to spread from China to many countries across the world. The World Health Organization declared the outbreak of the virus a pandemic in March 2020. Governments and authorities across the globe took various measures to mitigate the spread of the virus, primarily by enforcing partial or complete population 'lockdowns', closing geographical borders, temporarily closing businesses and imposing social distancing.

As a result of these measures, the Group's operations were significantly impacted. In response, the Group took swift action to mitigate the impact of the pandemic, including preserving cash by reducing costs and overheads. Amongst others, the Group has taken the following actions:

Cash flow measures

- Utilisation of the government support schemes available to the business across its markets which it operates in, 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 year which was recorded as an offset from operating expense in the consolidated income statement.
- Additional government support measures such as the business rates holiday in the UK from 1 April 2020 until 31 March 2021, which amounts to a £1.4 million cash saving per month and deferral of VAT and PAYE.
- Ongoing restructuring programme to ensure the Group's operational structure is fit for purpose and is aligned with guest demand for the short and medium term.
- Deferral of 2019 discretionary staff incentive payments, at an aggregate value of £1.8 million, with such payments reconsidered, if appropriate, in due course.
- Withdrawal of proposed 2019 final dividend payment to shareholders, equating to £8.6 million. In addition, no dividend was declared in 2020.
- Reviewed and reprioritised capex requirements for development pipeline.
- Deferred loan amortisations for 2020 at an aggregated amount of £6.1 million. In addition, after the reporting period, it was agreed with one of the Group's lenders that loan amortisations for 2021 in an aggregated amount of £7.9 million will be deferred.
- Reviewed and reprioritised all areas of discretionary spend, reducing this to business-critical investments only.

Liquidity

- £20 million of new funding secured against Park Plaza London Waterloo, which can be used for the general working capital requirements of the Group (see Note 15b).
- Secured a Dutch government backed COVID-19 go-arrangement term facility of €10 million (see Note 15b).
- Up to £180 million of funding has been secured for the completion of the construction of art'otel london hoxton. This facility also 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 (see Note 15b).
- Secured a revolving facility for up to £30 million pursuant to the Coronavirus Large Business Interruption Loan Scheme (CLBILS) (see Note 15b).
- Financial covenant testing of existing facilities have been postponed, where appropriate, to 2022 (see Note 15c).

Despite the impact of COVID-19 on trading cash flows, the Group continues to hold a strong liquidity position with an overall consolidated cash balance of £114.2 million as at 31 December 2020 and undrawn cash facilities of £83.4 million.

Since the start of the COVID-19 pandemic multiple cash flow forecasts showing various scenarios have been modelled and reviewed by the Board to provide the basis for strategic actions taken across the business. The Directors have considered detailed cash flow projections for the next three-year period to 31 December 2023 which are constructed on a base case and a downside case basis. The base case assumes a very slow recovery in 2021 with EBITDA levels at approximately 10% of 2019, the 2022 EBITDA at 70% of 2019 and returning to 2019 EBITDA levels in 2023. The downside case assumes zero EBITDA for 2021, the 2022 EBITDA at 50% of 2019 and returning to 2019 EBITDA levels in 2023. These scenarios assume further extension of covenant waivers and refinancing of maturing credit facilities if necessary. Having reviewed those scenarios, the Directors have determined that the Company is likely to continue in business for at least 12 months from the date of approval of the consolidated financial statements without implementing any further protective measures to the operational structure.

Note 2 Summary of significant accounting policies

a. Basis of preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments and investments in marketable securities which are measured at fair value. The consolidated financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand (£'000) except where otherwise indicated.

Statement of compliance:
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee (IFRIC) and adopted by the European Union.

The accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2020 and 2019 are set out below. These accounting policies have been consistently applied to the periods presented, except where otherwise indicated.

b. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group 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.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, income and expenses, and profits and losses resulting from intra-Group transactions are eliminated in full. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date on which such control ceases.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

c. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Acquisition of companies that are not business combinations
At the acquisition date of companies and groups of assets, the Company determines whether the transaction constitutes an acquisition of a business in a business combination transaction pursuant to IFRS 3. If the acquisition does not constitute a business as defined in IFRS 3, the cost of purchase is allocated only to the identifiable assets and liabilities of the acquired Company on the basis of their relative fair values at the date of purchase and including any minority interest according to its share of the fair value of net identifiable assets at the acquisition date.

In determining whether a business was acquired, the Company evaluates whether the acquired integrated set of activities and assets include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The following criteria which indicate acquisition of a business are considered: the variety of assets acquired; the extent to which ancillary services to operate the property are provided; and the complexity of the management of the property.

Estimates and assumptions
The key assumptions made in the consolidated financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group for which there is a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group bases its assumptions and estimates on parameters available when the consolidated financial statements are prepared. However, these parameters may change due to market changes or other circumstances beyond the control of the Group. Such changes are reflected in the assumptions and estimates when they occur.

Note 2 Summary of significant accounting policies continued

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, are disclosed and further explained in Notes 4 and 5.

Deferred tax assets

Deferred tax assets are recognised for unused carry forward tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. The amount of deferred tax assets that can be recognised is based upon the likely timing and level of future taxable profits together with future tax planning strategies. Additional information is provided in Note 27.

d. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments is measured at fair value with the changes in fair value recognised in the income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

e. Business combinations involving entities under common control

The Group accounts for business combinations that include entities under common control using the acquisition method provided that the transaction has substance.

Note 2 Summary of significant accounting policies continued

f. Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate or joint venture.

The income statement reflects the share of the results of operations of associates and joint ventures. The Group's share of changes in other comprehensive income of associates or joint venture is recognised in the statement of comprehensive income. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate or a joint venture is shown on the face of the income statement outside EBIT and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate and joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share in result of associate and joint ventures' in the income statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

g. Foreign currency translation

The functional currency of the Company is Pound Sterling. The consolidated financial statements are also presented in Pound Sterling.

Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the rates prevailing on the reporting date. Profits and losses arising from exchange differences are included in the income statement.

The assets and liabilities of the entities whose functional currency is not Pound Sterling are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Equity items are translated at the historical exchange rates. Exchange differences arising on the translation are recognised in other comprehensive income and classified as a separate component of equity (foreign currency translation reserve). Such translation differences are recognised in the income statement in the period in which the entity is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Exchange differences in respect of loans, denominated in foreign currency which were granted by the Company to its subsidiaries are reflected in the foreign currency translation reserve in equity, as these loans are, in substance, a part of the Group's net investment in the foreign operation.

Note 2 Summary of significant accounting policies continued

The following exchange rates in relation to Pound Sterling were prevailing at reporting dates:

	As at 31 December	
	2020 In Pound Sterling	2019 In Pound Sterling
Euro	**0.897**	0.852
Hungarian Forint	**0.002**	0.003
Croatian Kuna	**0.119**	0.114
US Dollar	**0.731**	0.760

Percentage increase (decrease) in exchange rates during the year:

	As at 31 December	
	2020 %	2019 %
Euro	**5.3**	(5.1)
Hungarian Forint	**(4.7)**	(7.6)
Croatian Kuna	**4.0**	(5.4)
US Dollar	**(3.8)**	(0.2)

h. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised using the straight-line method over their estimated useful life and assessed for impairment whenever there is an indication that the intangibles may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense for intangible assets is recognised in the income statement.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and recognised in the income statement when the asset is derecognised.

i. Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method, over the shorter of the estimated useful life of the assets or the lease term as follows:

	Years
Hotel buildings	50 to 95
Furniture and equipment	2 to 25

The costs of maintaining property, plant and equipment are recognised in the income statement as they are incurred. Costs incurred that significantly increase the recoverable amount of the asset concerned are added to the asset's cost as an improvement and depreciated over the expected useful life of the improvement.

An item of property, plant and equipment, and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

j. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Note 2 Summary of significant accounting policies continued

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the asset is considered impaired and the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been determined had no impairment loss been previously recognised for the asset (cash-generating unit). A reversal of an impairment loss is recognised as income immediately.

k. Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

– financial assets at amortised cost (debt instruments); and
– financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

– the financial asset is held within a business model with the objective of holding financial assets in order to collect contractual cash flows; and
– the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables and loans to joint ventures.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets that are debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

This category includes derivative instruments and listed equity investments. Dividends on listed equity investments are recognised as other income in the income statement when the right of payment has been established.

Note 2 Summary of significant accounting policies continued

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit loss (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, as measured at amortised cost (loans and borrowings and payables) or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

Note 2 Summary of significant accounting policies continued

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as financial expenses in the income statement.

This category generally applies to interest-bearing loans and borrowings.

Financial liability in respect of Income Units sold to private investors

In 2010, the construction of Park Plaza Westminster Bridge London was completed and the hotel opened to paying customers. Out of 1,019 rooms, 535 rooms ('Income Units') were sold to private investors under a 999-year lease. The sales transactions are accounted for as an investment scheme in which the investors, in return for the upfront consideration paid for the Income Units, receive 999 years of net income from a specific revenue-generating portion of an asset (contractual right to a stream of future cash flows). The amounts received upfront are accounted for as a floating rate financial liability and are being recognised as income over the term of the lease (i.e. 999 years). Changes in future estimated cash flows from the Income Units are recognised in the period in which they occur. Since November 2014, the Company has bought back 31 Income Units from private investors. Upon buy-back of a unit, the financial liability relating to that unit is derecognised and any difference between the purchase price and the liability derecognised is recorded in profit and loss.

On completion of each sale of Income Units, the Company, through a wholly-owned subsidiary, Marlbray Limited ('Marlbray'), entered into income swap agreements for five years with the private investors. The income swap agreements included an obligation of the investors to assign the right to receive the net income derived from the Income Units to Marlbray and an undertaking by Marlbray to pay to the investors an annual rent guarantee of approximately 6% of the purchase price for a five-year period commencing from the date of the completion of the sale. The income swap has been accounted for as a derivative. In 2015, Marlbray entered into 56 new income swap agreements for a further five years from the expiry date of the original income swap agreements on the same terms and conditions. In 2019 the Company bought back one unit with a fixed rent guarantee and the swap agreement for this unit was terminated. In 2020 all the income swap agreement have expired.

The entire hotel is accounted for at cost less accumulated depreciation.

The replacement costs for the Income Units are fully reimbursed by the private investors. An amount of 4% of revenues is paid by the investors on an annual basis ('FF&E reserve') and is accounted for in profit and loss. The difference between the actual depreciation cost and the FF&E reserve is a timing difference which is recorded in the statement of financial position as a receivable or liability to the investor in each respective year.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

l. Inventories

Inventories include china, food and beverages and are valued at the lower of cost and net realisable value. Cost includes purchase cost on a first in first out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

m. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Note 2 Summary of significant accounting policies continued

n. Derivative financial instruments and hedge accounting

As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument in a cash flow hedge is recognised directly in Other Comprehensive Income, while the ineffective portion is recognised in profit or loss. Amounts taken to OCI are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised.

o. Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Owned, co-owned and leased hotels
Revenues are primarily derived from hotel operations, including the rental of rooms, food and beverage sales and other services from owned, co-owned and leased hotels operated under the Group's brand names. Revenue is recognised when rooms are occupied, food and beverages are sold and services are performed.

Management fees
Earned from hotels managed by the Group, under long-term contracts with the hotel owner. Management fees include a base fee, which is generally a percentage of hotel revenue, and an incentive fee, which is based on the hotel's profitability. Revenue is recognised when earned and realised or realisable under the terms of the agreement.

Franchise fees
Received in connection with a licence of the Group's brand names, under long-term contracts with the hotel owner. The Group charges franchise fees as a percentage of hotel revenue. Revenue is recognised when earned and realised or realisable under the terms of the agreement.

Marketing fees
Received in connection with the sales and marketing services offered by the Group, under long-term contracts with the hotel owner. The Group charges marketing fees as a percentage of hotel revenue. Revenue is recognised when earned and realised or realisable under the terms of the agreement.

Customer loyalty programme
The Group participates in the Radisson Rewards™ customer loyalty programme to provide customers with incentives to buy room nights. This customer loyalty programme is owned and operated by the Radisson Hotel Group and therefore the entity retains no obligations in respect of the award credits other than to pay the programme operator for the granted award credits. The customers are entitled to utilise the awards as soon as they are granted.

Note 2 Summary of significant accounting policies continued

The Group purchases these award credits from Radisson Hotel Group and issues these to its customers in order to enhance its customer relationships rather than to earn a margin from the sale of these award credits. The Group concluded that it is acting as principal in this transaction and, in substance, is earning revenue from supplying these awards to its customers. The Group measures these revenues at fair value and recognises these gross from the costs of participating in the programme.

Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability (advance payments received) is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

p. Key performance indicators

EBITDAR

Earnings before interest, tax, depreciation, amortisation, impairment loss and rental expenses, share of associate and exceptional items presented as other income and expense (EBITDAR) correspond to revenue less cost of revenues (operating expenses). EBITDAR, together with EBITDA, is used as a key performance indicator.

EBITDA

Earnings before interest, tax, depreciation and amortisation, impairment loss, exceptional items presented as other income and expense (EBITDA) correspond to gross profit after the operating costs of holding leased hotels.

EBIT

Earnings before interest, tax and exceptional items presented as other income and expense (EBIT) correspond to gross operating profit after the operating costs of holding both leased and owned assets.

q. Leases

The Group accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Land	**50 to 200**
Hotel buildings	**5 to 95**
Offices and storage	**1 to 12**
Furniture and equipment	**2 to 25**

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (j) Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as rent expenses in the period in which the event or condition that triggers the payment occurs.

Note 2 Summary of significant accounting policies continued

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Other financial liabilities (see Note 18).

Variable lease payments that depend on an index:
On the commencement date, the Company uses the index rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Company is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

Variable lease payments:
Variable lease payments that do not depend on an index or interest rate but are based on performance or usage are recognised as an expense as incurred when the Company is the lessee, and are recognised as income as earned when the Company is the lessor.

Lease extension and termination options:
A non-cancellable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognised in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognised in profit or loss.

Lease modifications:
If a lease modification does not reduce the scope of the lease and does not result in a separate lease, the Company remeasures the lease liability based on the modified lease terms using a revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

If a lease modification reduces the scope of the lease, the Company recognises a gain or loss arising from the partial or full reduction of the carrying amount of the right-of-use asset and the lease liability. The Company subsequently remeasures the carrying amount of the lease liability according to the revised lease terms, at the revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of furniture and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Note 2 Summary of significant accounting policies continued

r. Employee benefits

Share-based payments

The Board has adopted a share option plan, under which employees and Directors of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in Note 13.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting, irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pension

The Group has a defined contribution pension plan where the employer is liable only for the employer's part of the contribution towards an individual's pension plan.

The Group will have no legal obligation to pay further contributions. The contributions in the defined contribution plan are recognised as an expense and no additional provision is required in the consolidated financial statements.

s. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

t. Borrowing costs for qualifying assets

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Note 2 Summary of significant accounting policies continued

u. Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities and changes in them relating to items recognised directly in equity or other comprehensive income are recognised in equity or other comprehensive income and not in the income statement.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

v. Treasury shares

Own equity shares held by the Group are recognised at cost and presented as a deduction from equity. Any purchase, sale, issue or cancellation of treasury shares is recognised directly in equity.

w. Earnings (loss) per share

Basic earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

x. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate. The income from the Government grants is netted off against the related expense account in the income statement.

y. Changes in accounting policies and disclosures

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Note 2 Summary of significant accounting policies continued

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the consolidated financial statements of the Group.

z. Standards issued but not yet applied

Standards issued but not yet effective, or subject to adoption by the European Union, up to the date of issuance of the consolidated financial statements are listed below. This listing of standards issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become mandatory.

The following standards have been issued by the IASB and are not yet effective or are subject to adoption by the European Union:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

– what is meant by a right to defer settlement;
– that a right to defer must exist at the end of the reporting period;
– that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
– that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Note 2 Summary of significant accounting policies continued

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Amendments to IFRS 9, IFRS 7, IFRS 16, IFRS 4 and IAS 39 regarding the IBOR reform

In August 2020, the IASB issued amendments to IFRS 9, "Financial Instruments", IFRS 7, "Financial Instruments: Disclosures", IAS 39, "Financial Instruments: Recognition and Measurement", IFRS 4, "Insurance Contracts", and IFRS 16, "Leases" ("The Amendments"). The Amendments provide practical expedients when accounting for the effects of the replacement of benchmark InterBank Offered Rates (IBORs) by alternative Risk Free Interest Rates (RFRs). Pursuant to one of the practical expedients, an entity will treat contractual changes or changes to cash flows that are directly required by the reform as changes to a floating interest rate. That is, an entity recognizes the changes in interest rates as an adjustment of the effective interest rate without adjusting the carrying amount of the financial instrument. The use of this practical expedient is subject to the condition that the transition from IBOR to RFR takes place on an economically equivalent basis.

In addition, the Amendments permit changes required by the IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued, provided certain conditions are met. The Amendments also provide temporary relief from having to meet the "separately identifiable" requirement according to which a risk component must also be separately identifiable to be eligible for hedge accounting.

The Amendments include new disclosure requirements in connection with the expected effect of the reform on an entity's financial statements, such as how the entity is managing the process to transition to the interest rate reform, the risks to which it is exposed due to the reform and quantitative information about IBOR-referenced financial instruments that are expected to change.

The Amendments are effective for annual periods beginning on or after 1 January 2021. The Amendments are to be applied retrospectively. However, restatement of comparative periods is not required. Early application is permitted.

The Company estimates that the application of the Amendments is not expected to have a material impact on the financial statements.

Note 2 Summary of significant accounting policies continued

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment/Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after beginning of the earliest period presented when the Group first applies the amendment. The amendment is not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "Directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group.

IFRS 9 Financial Instruments – Fees in the '10%' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group.

Note 3 Business combination

Acquisition of 88 Rooms Hotel in Belgrade, Serbia

On 29 December 2020 Arena Hospitality Group d.d., through its wholly-owned subsidiary, has successfully completed the acquisition of 88 Rooms Hotel in Belgrade (the 'Hotel'). The transaction value amounted to HRK 45 million (£5.4 million).

The fair values of identifiable assets and liabilities of the hotel at the date of acquisition were as follows:

	Fair Value £'000
Property, plant and equipment	**5,322**
Intangible assets	**16**
Trade and other receivables	**37**
Trade and other payables	**(25)**
Net assets	**5,350**
Cash flow on acquisition:	
Cash acquired with the subsidiary	**10**
Cash paid	**(5,360)**
Net cash outflow	**(5,350)**

If the acquisition had taken place as of 1 January 2020, the effect on revenues and profit before tax of the Group would have been immaterial.

Note 4 Intangible assets

	Park Plaza® Hotels & Resorts management rights (a)[1] £'000	Park Plaza® Hotels & Resorts franchise rights (a)[2] £'000	art'otel® franchise rights (b) £'000	Other intangible assets (c) £'000	Total £'000
Cost:					
Balance as at 1 January 2019	21,475	21,954	2,667	3,224	49,320
Adjustment for exchange rate differences	(1,084)	(1,108)	(135)	(180)	(2,507)
Additions	–	–	–	84	84
Balance as at 31 December 2019	20,391	20,846	2,532	3,128	46,897
Accumulated amortisation:					
Balance as at 1 January 2019	12,282	12,690	1,599	1,286	27,857
Amortisation	1,056	1,063	130	246	2,495
Adjustment for exchange rate differences	(649)	(669)	(84)	(89)	(1,491)
Balance as at 31 December 2019	12,689	13,084	1,645	1,443	28,861
Net book value as at 31 December 2019	7,702	7,762	887	1,685	18,036
Cost:					
Balance as at 1 January 2020	**20,391**	**20,846**	**2,532**	**3,128**	**46,897**
Adjustment for exchange rate differences	**1,084**	**1,108**	**119**	**128**	**2,439**
Additions	**–**	**–**	**1,248**	**81**	**1,329**
Disposals	**–**	**–**	**–**	**(6)**	**(6)**
Acquisition of a subsidiary	**–**	**–**	**–**	**16**	**16**
Balance as at 31 December 2020	**21,475**	**21,954**	**3,899**	**3,347**	**50,675**
Accumulated amortisation:					
Balance as at 1 January 2020	**12,689**	**13,084**	**1,645**	**1,443**	**28,861**
Disposals	**–**	**–**	**–**	**(6)**	**(6)**
Amortisation	**1,072**	**1,080**	**132**	**251**	**2,535**
Adjustment for exchange rate differences	**685**	**704**	**89**	**53**	**1,531**
Balance as at 31 December 2020	**14,446**	**14,868**	**1,866**	**1,741**	**32,921**
Net book value as at 31 December 2020	**7,029**	**7,086**	**2,033**	**1,606**	**17,754**

Note 4 Intangible assets continued

a. Acquisition of Park Plaza® Hotels & Resorts management and franchise rights and lease rights

(1) Management rights – rights held by the Group relating to the management of Park Plaza® Hotels & Resorts in Europe, the Middle East and Africa. The management rights are included in the consolidated financial statements at their fair value as at the date of acquisition and are being amortised over a 20 year period based on the terms of the existing contracts and management estimation of their useful life. The remaining amortisation period is 7.5 years.

(2) Franchise rights relating to the brand 'Park Plaza® Hotels & Resorts' are included in the consolidated financial statements at their fair value as at the date of acquisition and are being amortised over 20 years based on management's estimation of their useful life. The remaining amortisation period is 7.5 years.

b. Acquisition of art'otel® rights

In 2007, the Group acquired from CCS Capital Concept Services Gmbh (the 'vendor') the worldwide rights to use the art'otel® brand name for an unlimited period of time. The rights are being amortised over 20 years based on management's estimation of their useful life. The remaining amortisation period is 7.5 years. In December 2020, the Group acquired certain rights which were assigned to the vendor under the original agreement for a cash consideration of €0.3 million (£0.2 million) and 80,000 shares of the Company. The additional rights are amortised based on management's estimation of their useful life.

c. Other intangible assets

These include the brand name and internal domain obtained in the acquisition of Arena. The rights are being amortised over 20 years based on management's estimation of their useful life.

d. Impairment

The recoverable amount of the management and franchise rights had been determined based on internal value in use calculations.

Management rights – The value is use was estimated by applying the income approach. Under the Income Approach, Fair Value is dependent on the present value of future economic benefits to be derived from ownership of an asset.

Franchise Rights – The value in use was estimated by applying the Relief from Royalties Approach, a common and accepted valuation technique used to estimate the Fair Market Value of franchise rights. This method assumes that if the subject intangible assets were not already available, a market royalty rate would have to be paid on the development and use of comparable alternative intangible assets. An assumption of 6% royalty fee saving was used both for the Park Plaza® Hotels & Resorts and art'otel franchise rights.

Given the adverse effect that COVID-19 had on the hospitality sector, management assumed that cash flow from management fees and royalty fee saving will slowly recover during 2021, a further gradual improvement in 2022 and returning to 2019 levels in 2023. The discount rate applied to the cash flow projections for both the management and franchise rights was set at 10% which includes a risk premium on top of the Group WAAC. Based on this analysis it was concluded that there is no need for impairment.

Note 5 Property, plant and equipment

	Land £'000	Hotel buildings £'000	Property & assets under construction £'000	Income Units sold to private investors* £'000	Furniture, fixtures and equipment £'000	Total £'000
Cost:						
Balance as at 31 December 2018	395,453	722,720	15,957	137,969	205,107	1,477,206
IFRS 16 adjustment	(85,731)	(83,802)	–	–	(23,873)	(193,406)
Balance as at 1 January 2019	309,722	638,918	15,957	137,969	181,234	1,283,800
Additions during the year	15,955	32,047	5,739	745	30,514	85,000
Disposal	(44)	(225)	–	–	(1,845)	(2,114)
Buy-back of Income Units sold to private investors	109	775	–	(925)	41	–
Reclassification	–	6,959	(6,687)	–	(272)	–
Adjustment for exchange rate differences	(9,999)	(16,802)	(599)	–	(3,451)	(30,851)
Balance as at 31 December 2019	315,743	661,672	14,410	137,789	206,221	1,335,835
Accumulated depreciation and impairment:						
Balance as at 31 December 2018	11,093	73,455	–	18,800	103,073	206,421
IFRS 16 adjustment	(3,900)	(1,664)	–	–	(4,870)	(10,434)
Balance as at 1 January 2019	7,193	71,791	–	18,800	98,203	195,987
Provision for depreciation	324	12,743	–	2,546	15,692	31,305
Disposal	–	(124)	–	–	(1,800)	(1,924)
Buy-back of Income Units sold to private investors	–	41	–	(68)	27	–
Adjustment for exchange rate differences	(156)	(1,745)	–	–	(1,293)	(3,194)
Balance as at 31 December 2019	7,361	82,706	–	21,278	110,829	222,174
Net book value as at 31 December 2019	308,382	578,966	14,410	116,511	95,392	1,113,661
Cost:						
Balance as at 1 January 2020	**315,743**	**661,672**	**14,410**	**137,789**	**206,221**	**1,335,835**
Additions during the year	**1,034**	**14,482**	**10,975**	**410**	**34,388**	**61,289**
Disposal	**–**	**(3,065)**	**–**	**–**	**(2,859)**	**(5,924)**
Acquisition of subsidiaries	**30,089**	**4,697**	**3,826**	**–**	**223**	**38,835**
Reclassification	**2**	**5,857**	**(5,473)**	**–**	**(386)**	**–**
Adjustment for exchange rate differences	**7,063**	**15,873**	**357**	**–**	**3,278**	**26,571**
Balance as at 31 December 2020	**353,931**	**699,516**	**24,095**	**138,199**	**240,865**	**1,456,606**
Accumulated depreciation and impairment:						
Balance as at 1 January 2020	**7,361**	**82,706**	**–**	**21,278**	**110,829**	**222,174**
Provision for depreciation	**329**	**13,744**	**–**	**1,157**	**16,149**	**31,379**
Disposal	**–**	**(1,543)**	**–**	**–**	**(2,607)**	**(4,150)**
Reclassification	**699**	**169**	**–**	**–**	**(868)**	**–**
Impairment	**2,500**	**–**	**–**	**–**	**–**	**2,500**
Adjustment for exchange rate differences	**154**	**1,857**	**–**	**–**	**1,334**	**3,345**
Balance as at 31 December 2020	**11,043**	**96,933**	**–**	**22,435**	**124,837**	**255,248**
Net book value as at 31 December 2020	**342,888**	**602,583**	**24,095**	**115,764**	**116,028**	**1,201,358**

* This includes 504 rooms ('Income Units') (2019: 504) in Park Plaza Westminster Bridge London, for which the cash flows, derived from the net income generated by these Income Units, were sold to private investors (see Note 2(k)). The proceeds from the purchases have been accounted for as a variable rate financial liability (see Note 17).

a. **For information regarding liens, see Note 14.**

Note 5 Property, plant and equipment continued

b. Impairment

The recoverable amount of property, plant and equipment had been determined based on third party valuations received for 31 December 2020. Given the adverse effect that COVID-19 had on the hospitality sector, the third party valuers assumed that cash flow from operations will slowly recover during 2021, a further gradual improvement in 2022 and returning to 2019 levels in 2023 or 2024 for some properties. The discount rates applied to cash flow projections was determined by the third party valuator and ranges between 7.25%-11%. In 2020, the Group recorded an impairment loss in respect of one property in the UK segment in the amount of £2.5 million, which is included in depreciation, amortisation and impairment loss.

c. Capitalised borrowing costs

On 7 April 2020 the Group entered into a building contract to develop art'otel london hoxton on a site located by Old Street, Rivington Street, Great Eastern Street and Bath Place, London EC1 which is expected to be completed in February 2024 (see Note 30 c (i)). The Cumulative expenditure for this project as at 31 December 2020 was £37.1 million (2019: £15.9 million).

The amount of borrowing costs capitalised related to this project during the year ended 31 December 2020 was £0.6 million (2019: Nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was LIBOR +3.55%, which is the effective interest rate (EIR) of the specific borrowing.

d. Acquisitions:

Acquisition of the remaining interest in the joint venture in New York City

In January 2020 the Group acquired, from its joint venture partner, its 50% interest in W29 Development LLC, a Delaware limited liability company (the 'JV Company'), for a total consideration of US$3.3 million (£2.2 million) plus associated acquisition costs (see also Note 6b). As a result, the Company now owns 100% of the JV Company and the associated joint venture arrangements have been terminated. The acquisition, which was funded from the Company's existing cash resources has been accounted for as an acquisition of land in the amount of £33.5 million and assumption of related mortgage in the amount of £16.8 million.

Settlement with the Republic of Croatia related to, and the acquisition of, Guest House Hotel Riviera Pula

Arena has been operating Guest House Hotel Riviera ('Riviera') in Pula for decades and has been in discussions with the Croatian Ministry of State Assets to formalise the informal arrangement and acquire the property. Further to legal proceedings initiated by the Republic of Croatia against Arena for repossession of the property and compensation, Arena received the decision of the Government of the Republic of Croatia to enter into a proposed settlement offer for the aforementioned court dispute for Riviera. Based on the settlement entered into on 28 April 2020, Arena compensated the State for the previous use of the property with an amount of HRK 13.9 million (£1.6 million) and was entitled to buy Riviera as its rightful longstanding possessor. On 2 June 2020, Arena signed the sale and purchase agreement for Riviera with the Republic of Croatia for an amount of HRK 36.5 million (£4.4 million). The purchase concludes the ownership status of this hotel.

Acquisition of the North Lambeth site

In November 2019, the Group acquired the freehold interest in a site located in London SE1 (the 'Site') with a view to developing the Site into a hotel, subject to planning permission being obtained. The Site was acquired from a third party seller at a total investment of £12 million (excluding taxes and associated costs) funded from the Group's existing cash.

Note 6 Investment in joint ventures and subsidiaries with significant non-controlling interests

a. Investment in joint ventures

	As at 31 December	
	2020	2019
	£'000	£'000
Loans to joint ventures*	**5,066**	11,720
Share of net assets under equity method	**(325)**	6,431
Investment in joint ventures	**4,741**	18,151

* The loans to joint ventures amount include a Euro loan bearing an interest of LIBOR +2.5% per annum which repayment is due on 7 June 2023.

The share in net loss amounts to £(826) thousand (2019: net profit of £178 thousand).

b. Joint venture agreement in New York City

On 13 March 2019 the Company, through a wholly-owned subsidiary, entered into a joint venture agreement with Largo 542 West 29th Street Partners LLC, an affiliate of Largo ('Largo'), a New York-based real estate development and investment firm, to acquire, through W29 Owner LLC (the 'Property Owner'), properties located at 538, 540 and 542 West 29th Street, New York, USA (together the 'Property'). PPHE Hotel Group has a 50% interest in the Property Owner.

The consideration paid for the acquisition of the Property was US$42.6 million (£33.3 million) plus associated acquisition and financing costs of US$2.9 million (£2.3 million) (the 'Property Acquisition'). The Property Acquisition was partly funded with a US$20.7 million (£16.2 million) loan (the 'Loan') from Bank Hapoalim B.M. (the 'Lender'). The Loan is secured by a first priority mortgage encumbering the Property. In addition, Largo and PPHE Hotel Group have delivered certain customary guarantees in favour of the Lender.

The total cash contributed by PPHE Hotel Group and Largo to the joint venture as of the acquisition date was US$17 million (£13.3 million) and US$7.8 million (£6.1 million), respectively. The extra cash contribution by PPHE Hotel Group of US$9.2 million (£7.2 million) is considered as a member loan which bears 8% interest (the 'member loan').

Note 6 Investment in joint ventures and subsidiaries with significant non-controlling interests continued

Under the terms of the joint venture agreement, there was an intention to negotiate a construction agreement between the Property Owner and Largo as the contractor, provided certain conditions were met prior to the end of February 2020. However, in January 2020 the Company, through a wholly-owned subsidiary, has acquired from Largo its 50% interest in the Property Owner, for a total consideration of US$3.3 million (£2.2 million) plus associated acquisition costs. As a result, the Company now owns 100% of the Property and the associated joint venture arrangements have been terminated. The acquisition was funded from the Company's existing cash resources.

c. Summarised financial information of subsidiary with material non-controlling interests

During 2020 Arena purchased 1,422 shares, as part of its share buyback programme, for a consideration of HRK 0.5 million (£63 thousand). As a result of this transaction the Group's share in Arena increased to 52.95% (2019: 52.93%)

The amount of loss and comprehensive loss allocated to the non-controlling interests in 2020 amounts to £12,233 thousand (2019: profit of £8,667 thousand) and £8,118 thousand (2019: profit of £2,621 thousand) respectively.

In July 2019 Arena distributed a divided in the amount of HRK 5 per share, totalling in HRK 25,643 thousand (£3,027 thousand). The dividend that was paid to the non-controlling interest was HRK 12,316 thousand (£1,454 thousand).

Below is selected financial information relating to Arena, as of 31 December 2020 and 2019, and for the years ended 31 December 2020 and 2019.

	2020 £'000	2019 £'000
Non-current assets	**328,687**	288,081
Current assets	**55,464**	87,054
Non-current liabilities	**159,649**	135,158
Current liabilities	**21,723**	19,762
Revenue	**28,129**	91,844
EBITDA	**(2,158)**	27,098
(Loss) profit for the period	**(26,292)**	18,130
Total comprehensive income	**(17,544)**	5,526

Note 7 Other non-current assets

a. Non-current financial assets

	As at 31 December	
	2020 £'000	2019 £'000
Income swap in respect of Income Units sold to private investors[1]	**–**	310
Income Units in Park Plaza County Hall London[2]	**15,350**	17,600
Rent security deposits	**370**	351
Other non-current assets	**238**	97
	15,958	18,358

1 Relates to income swap agreements, whereby the Group has the right to receive the net income derived from certain Income Units sold to private investors at Park Plaza Westminster Bridge London and an undertaking to guarantee a fixed return of approximately 6% on the original purchase price for a period of five years. As at 31 December 2020 all the swap agreements have expired.

2 On 14 July 2017, the Group acquired an ownership interest in Park Plaza County Hall London through its purchase of 44 aparthotel units and the associated shares in the management company of the hotel, South Bank Hotel Management Company Limited. The purchase price was £16.0 million. In October 2017 an additional two units were purchased for £0.7 million. Upon initial recognition, the investment was designated in the consolidated financial statements at fair value through profit and loss. In return for the consideration paid, the Company receives 999 years of net income from specific revenue-generating units of the hotel (contractual right to a stream of future cash flows). This investment is managed and its performance is evaluated by the Group management on a fair value basis in accordance with the Group investment strategy. As the cash flows from this investment are not solely payments of principal and interest, under IFRS 9 the investment is classified and measured at fair value through profit or loss. The fair value of the income units as of the reporting date was £15.4 million based on an independent valuation prepared by Savills using a cap rate of 6%.

Note 8 Trade receivables

a. Composition:

	As at 31 December 2020 £'000	2019 £'000
Trade receivables	**4,177**	13,635
Less – allowance for doubtful debts	**(704)**	(877)
	3,473	12,758

Trade receivables are non-interest bearing. The Group's policy provides an average of 30 days' payment terms.

b. Movements in the allowance for doubtful accounts were as follows:

	£'000
As at 1 January 2019	(364)
Write-off	290
Additions	(826)
Exchange rate differences	23
As at 31 December 2019	(877)
Write-off	**243**
Additions	**(42)**
Exchange rate differences	**(28)**
As at 31 December 2020	**(704)**

c. As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due			
2020	Total £'000	Not past due £'000	< 30 days £'000	31 to 60 days £'000	61 to 90 days £'000	> 90 days £'000
Trade Receivables	**4,177**	**2,702**	**378**	**59**	**69**	**969**
Allowance for doubtful debts	**(704)**					**(704)**
	3,473	**2,702**	**378**	**59**	**69**	**265**

			Past due			
2019	Total £'000	Not past due £'000	< 30 days £'000	31 to 60 days £'000	61 to 90 days £'000	> 90 days £'000
Trade Receivables	13,635	4,992	5,888	1,450	267	1,038
Allowance for doubtful debts	(877)					(877)
	12,758	4,992	5,888	1,450	267	161

Note 9 Other receivables and prepayments

	As at 31 December 2020 £'000	2019 £'000
Prepaid expenses	**5,389**	7,396
VAT	**1,103**	6,310
Related parties*	**–**	295
Others	**1,552**	1,064
	8,044	15,065

* The amount owed by related parties bears no interest; see Note 30.

Note 10 Other current financial assets

	As at 31 December 2020 £'000	2019 £'000
Investment in marketable securities*	**27**	5,221

* Classified as held for trading.

Note 11 Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Note 12 Equity

a. Share capital

The authorised share capital of the Company is represented by an unlimited number of ordinary shares with no par value.

As at 31 December 2020, the number of ordinary shares issued was 44,347,410 (2019: 44,347,410), 1,808,070 of which were held as treasury shares (2019: 1,888,070).

The Company's shares are admitted to the Premium Listing segment of the Official List of the UK Listing Authority and to trading on the Main Market for listed securities of the London Stock Exchange.

b. Treasury shares

On 29 September 2009, the Company purchased 862,000 of its ordinary shares at a price of 111 pence per share. On 26 October 2011, the Company purchased 800,000 of its ordinary shares at a price of 227 pence per share. On 29 August 2012, the Company purchased 200,000 of its ordinary shares at a price of 210 pence per share. On 18 October 2017, the Company purchased 41,070 of its ordinary shares at a price of 1,041 pence per share. On 27 February 2018, the Company issued 15,000 of its ordinary shares from its treasury account at a price of 1,070 pence per share. On 22 December 2020, the Company issued 80,000 of its ordinary shares from its treasury account at a price of 1,280 pence per share. The total number of treasury shares is 1,808,070.

c. Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

Hedging reserve

This reserve comprises the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Note 13 Share-based payments

The Company operates two option plans for the benefits of employees of the Group, the first was adopted in 2007 and the second was adopted in 2020.

2007 Option Plan

The 2007 Plan has two types of options: Option A and Option B. The exercise price of both options will not be less than the closing price of a share on the dealing day immediately preceding the grant date (as published in the Daily Official List of the London Stock Exchange). Option A vests over a period of three years from the grant date and Option B vests at the end of three years from the grant date. Unexercised options expire ten years after the grant date. The Plan does not include any performance conditions.

As at 31 December 2020, there were 412,290 options outstanding under the 2007 Option Plan. These options were granted to employees of the Company in past years. No further grants can be made under this Plan.

2020 PPHE Executive Share Option Plan

The Board has adopted a ''2020 PPHE Executive Share Option Plan'', under which employees of the Company and its subsidiaries receive remuneration in the form of share-based compensation. The Plan has the following principal terms:

a. The Plan has four types of options:

Option A: market value options – options that are linked to the market value of the shares in the Company;

Option B: salary-related options – whereby employees agree to a reduction in their base salary in exchange for the right to acquire Shares at nil-cost. These options normally vest after 12 months subject to an additional six-month holding period;

Option C: deferred bonus awards – allowing the award of the number of shares determined by the Remuneration Committee in lieu of some or all of the annual bonus; and

Option D: performance share awards – options which are granted subject to specified performance targets. Notwithstanding the extent to which any performance target is satisfied, the number of vested award shares may be reduced by the Committee to ensure that the number of vested award shares is appropriate taking into account the underlying business performance of the Group.

Note 13 Share-based payments continued

These awards are subject to the rules of the PPHE Executive Incentive Plan 2020 which may include: long-term vesting periods prescribed by the Committee upon grant; good-leaver and bad leaver provisions allowing the Committee to exercise discretion as to when it might be appropriate for an award to vest in spite of the relevant employee leaving the Group; post-vesting holding periods determined by the Committee at the time of the award; performance conditions; and share capital dilution limits. The plan allows dividends or dividend equivalents to accrue, subject to the Committee's discretion.

b. At any time, the total number of shares issued and/or available for grant (in a ten-year period) under the 2007 Share Option Plan, the 2020 PPHE Executive Incentive Plan and under any other employee share scheme which the Company may establish in the future may not exceed 5 per cent. of the Company's issued share capital at that time.

c. In November 2020, the Remuneration Committee approved the grant of 70,706 salary related options (Option B under the 2020 Option plan) with a nil exercise price and 714,000 market-value options (Option A under the 2020 Option plan) with an exercise price of 1,300 pence (being the closing price on 10 November 2020). In particular, the salary-related awards that were offered to key employees in 2020 were aimed at preserving cash flow, whilst incentivising key employees to support the Group in its recovery from the pandemic and linking in with our succession planning. The salary-related options have a vesting period of 12 months with a six months holding period. With regard to the market-value share options granted in 2020, 300,000 shall vest in equal tranches, with 33.33% vesting each year for three years and 414,000 shell vest at the end of three years from the grant date.

The following lists the inputs to the binomial model used for the fair value measurement of the 714,000 market-value share options granted:

Dividend yield	0%
Expected volatility of the share prices	38.51%
Risk-free interest rate	–0.0412%
Expected life of share options	4.4 years
Weighted average share price at the grant date	1,300.0 pence
Fair value per option	407.0 pence

The following lists the inputs to the binomial model used for the fair value measurement of the 70,706 salary related share options granted:

Dividend yield	0%
Expected volatility of the share prices	38.51%
Risk-free interest rate	–0.0412%
Expected life of share options	4.4 years
Weighted average share price at the grant date	1,300.0 pence
Fair value per option	1,300.0 pence

The expected life of the share options is based on historical data, current expectations and empirical data. It is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility of similar listed companies over a period similar to the life of the options is indicative of future trends, which may not be reflective of the actual outcome.

c. The expense arising from equity-settled share-based payment transactions during 2020 was £259 thousand (2019: £199 thousand). Total exercisable options at 31 December 2020 amounted to 352,242 (2019: 268,624).

Note 13 Share-based payments continued

Movements during the year

The following table illustrates the number (No.) and weighted average exercise prices (EP) of, and movements in, share options during 2019 and 2020:

	No. of options A (2007 Option plan)	No. of options A (2020 Option plan)	No. of options B (2020 Option plan)	EP
Outstanding as at 1 January 2019	522,500	–	–	£9.02
Options forfeited during the year	–	–	–	–
Options exercised in the year*	(110,210)	–	–	£6.90
Options granted during the year	–	–	–	–
Outstanding as at 31 December 2019	412,290	–	–	£9.58
Options forfeited during the year	**–**	**–**	**–**	**–**
Options exercised in the year*	**–**	**–**	**–**	**–**
Options granted during the year	**–**	**714,000**	**70,706**	**£11.83**
Outstanding as at 31 December 2020	**412,290**	**714,000**	**70,706**	**£11.05**

* Part of the exercise was cashless.

As at 31 December 2020 the number of exercisable options was 352,242 (2019: 268,623) with an EP of £8.30 (2019: £7.06).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2020 is 8.5 years (2019: 7 years).

Note 14 Pledges, contingent liabilities and commitments

a. Pledges, collateral and securities

Substantially all of the Group's assets and all of the rights connected or related to the ownership of the assets (including shares of subsidiaries and restricted deposits) are pledged in favour of banks and financial institutions as security for loans received. For most of the loans, specific assets are pledged as the sole security provided.

b. Restricted cash

Under certain facility agreements, funds need to be held in restricted deposit accounts in order to pay the debt service for a subsequent period. The total deposits held amount to £7 million and are presented as restricted in the financial statements.

c. Commitments

(i) Management and franchise agreements

1. The Group entered into a Territorial Licence Agreement (the 'Master Agreement') with Radisson Hotel Group ('Radisson'). Under the Master Agreement, the Group, amongst other rights, is granted an exclusive licence to use the brand 'Park Plaza® Hotels & Resorts' in 56 territories throughout Europe, the Middle East and Africa in perpetuity (the 'Territory').

   The Master Agreement also allows the Group to use, and license others to use, the Radisson systems within the Territory, which right includes the right to utilise the Radisson systems' international marketing and reservations facilities and to receive other promotional assistance. The Group pays Radisson a fee based on a percentage of the hotels' gross room revenue.

2. Within the terms of the management agreements, the hotels were granted by the Group a licence allowing them to use, throughout the term of the management agreements, the 'Park Plaza® Hotels & Resorts' and 'art'otel®' brand names.

(ii) Construction contract commitment

As at 31 December 2020, the Company had no capital commitments amounting to £150.4 million for the construction of the development of art'otel london hoxton.

(iii) Guarantees

1. In January 2013, the Company sold to Red Sea Hotels Limited ('Red Sea') all of the Company's shares in its subsidiary, Leno Finance Limited ('Leno'), the company through which the Company owned an interest in the site in Pattaya, Thailand (the 'Project'), and certain related loans and receivables, for a total consideration of Thai Baht 600 million.

   Under the terms of the United Overseas Bank ('UOB') credit facilities received for the construction of the Project, the Company is obliged to provide certain financial support in the event of a cost overrun or funding shortfall in relation to the Project, to satisfy the payment of unpaid interest or fees until completion of the Project and, in certain circumstances, may be required to purchase serviced apartments after completion of the Project for a maximum of Thai Baht 600 million to fund any amounts that are outstanding under the UOB credit facilities. In addition, the Company undertook to take all necessary acts to ensure the completion of the Project as planned. Red Sea has agreed to indemnify the Company in respect of these continuing obligations (except for the obligation to purchase serviced apartments after completion where there is a continuing event of default) and as security Red Sea has pledged the shares held by it in Bali Hai Company Limited (the Thai subsidiary of Leno that owns and develops the Project) ('Bali Hai') and certain affiliated Thai companies.

Note 14 Pledges, contingent liabilities and commitments continued

The sponsor support deed with UOB provides that the Company shall maintain a net gearing ratio (the ratio of (i) any interest-bearing indebtedness owed to financial institutions or under financial debt instruments of the Company less any cash balances or cash equivalent instruments maintained by the Company) to (ii) its tangible net worth (total tangible assets less all external liabilities in respect of money borrowed or raised by the Company) not exceeding 3:1. As at 31 December 2020, the Company was in compliance with the aforementioned covenants.

The Project encountered planning issues and as a result construction has been halted and the Company has been advised that the planning issues are unlikely to be resolved and that it is probable that Bali Hai will go into liquidation if such an application is filed by its creditors. UOB has secured judgment against Bali Hai for repayment of principal and interest. Recently the Project has been put out for sale on public auction and UOB, who has a first mortgage over the Project, will be entitled to receive the proceeds of such a sale and apply to liquidate Bali Hai for any shortfall.

UOB has made demand of the Company for certain interest it contends is outstanding. The Company has responded to UOB and rejected its demands. The Company is working closely with Red Sea to refute UOB's demands (in respect of any liability for which the Company would benefit from the Red Sea indemnity). The Company is still waiting to see if and when UOB will initiate legal proceedings.

As before, the Company continues to believe that, given the Red Sea indemnity in favour of the Company, it is not probable that any material outflow of resources embodying economic benefits will be required to settle the obligations of the Company under the sponsor support deed.

2. The Company guarantees principal and interest under the €10.7 million (£9.3 million) facility granted by Deutsche Hypothekenbank AG to ABM Hotel Holding B.V. and PPBK Hotel Holding B.V. (formerly known as ABK Hotel Holding B.V.). The Company has entered into a counter-guarantee with Arena effective as of 1 January 2018 whereby Arena guarantees the Company's obligations under the Company's guarantee.

3. The Company guarantees 50% of the loan agreement of €38.0 million (£33.3 million) granted by Deutsche Hypothekenbank AG to ACO Hotel Holding B.V. and ABK Hotel Holding B.V. The Company has entered into a counter-guarantee with Arena effective as of 1 January 2018 whereby Arena guarantees the Company's obligations under the Company's guarantee.

4. In March 2019, as part of the joint venture arrangements in relation to art'otel new york, the Company granted certain guarantees to Bank Hapoalim as lender under the US$ 22.150.000 facility to W29 Owner LLC, a direct and 100% subsidiary of the joint venture (W29 Development LLC). Further, the Company, in its capacity as guarantor under the facility, agreed to indemnify Bank Hapoalim for a breach of certain obligations under the loan agreement as well as for certain environmental issues in relation to the properties acquired by W29 Owner LLC up to an aggregate amount of US$ 33.225.000. This indemnification was a joint and several liability for the Company and the joint venture partner. Following the acquisition of the 50% membership interest in W29 Development LLC by the Company from its joint venture partner as well as the extension of the loan facilities, the Company is now the sole guarantor as the joint venture partner was released as part of the acquisition arrangements.

Note 15 Borrowings

The borrowings of the Group are composed as follows:

As at 31 December 2020	€ denominated £'000	£ denominated £'000	$ denominated £'000	HRK denominated £'000	Total £'000
Fixed interest rate	237,798	420,540	–	26,816	685,154
Weighted average interest rate	2.22%	3.61%	–	1.94%	
Variable interest rate	21,845	41,550	16,183	–	79,578
Weighted average interest rate	1.83%	3.27%	3.50%	0.00%	
Total	259,643	462,090	16,183	26,816	764,732
Weighted average interest rate	2.19%	3.58%	3.50%	1.94%	3.05%

Maturity analysis 2020	Outstanding amount	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Total borrowings	764,732	36,969	22,582	25,720	46,042	19,705	613,714
Capitalised transaction costs and other adjustments	(7,357)	(600)	(600)	(600)	(600)	(600)	(4,357)
	757,375	36,369	21,982	25,120	45,442	19,105	609,357

For securities and pledges, see Note 14.

Note 15 Borrowings continued

As at 31 December 2019	€ denominated £'000	£ denominated £'000	HRK denominated £'000	Total £'000
Fixed interest rate	220,964	420,213	22,091	663,268
Weighted average interest rate	2.18%	3.62%	1.95%	–
Variable interest rate	12,513	7,116	–	19,629
Weighted average interest rate	1.09%	3.07%	0.00%	–
Total	233,477	427,329	22,091	682,897
Weighted average interest rate	2.13%	3.61%	1.95%	3.05%

Maturity analysis 2019	Outstanding amount	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Total borrowings	682,897	13,916	13,997	14,037	15,730	13,641	611,576
Capitalised transaction costs and other adjustments	(4,636)	(600)	(600)	(600)	(600)	(600)	(1,636)
	678,261	13,316	13,397	13,437	15,130	13,041	609,940

For securities and pledges, see Note 14.

b. Finance agreements entered in the period:

PPHE Living Limited financing agreement
On 29 January 2020, PPHE Living Limited, a wholly-owned subsidiary of the Company, entered into a 5-year loan agreement with Santander UK Plc for a facility of £1.64 million which is secured against the Old Bakery, a property purchased to provide staff accommodation. The loan is at a fixed rate of 2.25%. As at 31 December 2020 this facility was fully drawn.

art'otel london hoxton financing
On 7 April 2020, the Group entered into a bilateral loan agreement with Bank Hapoalim B.M. for a facility of up to £180 million to fund the development of art'otel london hoxton (the 'Hotel') on a site located by Old Street, Rivington Street, Great Eastern Street and Bath Place, London EC1 (the 'Site').

The initial maturity date of the facility is April 2024 with provisions, subject to certain conditions, to extend the Facility by two periods of three years each. The Facility bears an initial interest rate margin of 3.55% over LIBOR. The margin decreases to 2.95% following two consecutive quarters after practical completion of the Hotel. In addition, there is a fee for unutilised amount of 0.25%. As at 31 December 2020 £27.3 million was drawn from this facility.

The Facility contains customary debt service cover and loan to value financial covenants, applicable following practical completion of the Hotel, which must be complied with, subject to an ability to cure in certain circumstances through the injection of equity or prepayment (to the extent necessary) of the Facility.

The Facility is secured by, among other things; mortgages over the ownership interests in the Site and security over the shares in certain group companies that own such interests in the Site. The lenders benefits from completion and cost overrun guarantees provided by the Company.

Waterloo Hotel Holding B.V. financing agreement
On 23 June 2020 Waterloo Hotel Holding B.V., a wholly-owned subsidiary of the Company, entered into a three-year, £20 million financing agreement with Santander UK Plc which bears an interest rate margin of 2.4% plus LIBOR. As at 31 December 2020 £5.3 million was drawn from this facility.

Guest House Hotel Riviera financing
On 7 July 2020 Arena entered into a new loan agreement with OTP banka d.d. in Croatia for the purchase and refurbishment of Guest House Hotel Riviera. The facility is in a total amount of €10 million (£9.1 million), maturing in 2030 at a fixed interest rate of 2.125%. As at 31 December 2020 €5 million (£4.4 million) was drawn from this facility.

Park Plaza Hotels Europe B.V. facility
On 7 August 2020 Park Plaza Hotels Europe B.V., a wholly-owned subsidiary of the Company, entered into a three-year, €10 million (£9.1 million), Dutch government backed COVID-19 go-arrangement financing agreement with ABN AMRO Bank N.V. which bears an interest rate of 2.9% plus EURIBOR per annum. As at 31 December 2020 this facility was fully drawn.

Park Plaza Hotels (UK) Limited facility
On 10 November 2020, Park Plaza Hotels (UK) Limited, a wholly-owned subsidiary of the Company, entered into a revolving facility agreement with Santander UK Plc for up to £30 million pursuant to the Coronavirus Large Business Interruption Loan Scheme (CLBILS). The facility is provided on a three-year term and bears an interest rate margin on drawn amounts of 2.5% plus LIBOR during year one, with the margin increasing to 3% in years two and three. As at 31 December 2020 £2.5 million was drawn from this facility.

Note 15 Borrowings continued

Hotel Brioni Pula financing agreement

On 8 December 2020 Arena entered into a new loan agreement with Erste Banka d.d. and Zagrebačka Banka d.d. in Croatia for the purpose of financing the refurbishment of Hotel Brioni Pula. The facility is in a total amount of €24 million (£21.5 million), maturing in 2033 at a fixed interest rate of 2.6%. As at 31 December 2020 the loan remained undrawn.

88 Rooms Hotel in Belgrade, Serbia financing

On 17 December 2020 Arena entered into a new loan agreement with AIK Banka a.d. for the purchase of 88 Rooms Hotel in Belgrade, Serbia. The facility is in a total amount of €4.2 million (£3.8 million), maturing in 2025 at a fixed interest rate of 4.3%. As at 31 December 2020 the loan was fully drawn.

c. The following financial covenants must be complied with by the relevant Group companies:

(i) Under the two Aareal facilities, for two of the Group's London hotels (the 'London Hotels') and all six of the Group's Dutch hotels (the 'Dutch Hotels'), the borrowers must ensure that the aggregate amount of the outstanding facilities does not exceed 65.2% of the value of the Dutch Hotels and 60% of the value of the London Hotels as set out in the most recent valuation (LTV). In addition, the borrowers must ensure that, on each interest payment date, the Debt Service Coverage Ratio (DSCR) is not less than 115%. In May 2020, the Group received a letter from the bank confirming that the financial covenant testing will be postponed to 30 June 2021 and the loan amortisation for Q2 – Q4 2020 will be deferred to years 2021-2022. After the reporting period, the Group received from the bank a waiver for the DSCR and the LTV covenants until 30 June 2022 (inclusive) with the first test due in July 2022 based on the results for 30 June 2022. In addition the loan amortisation for 2021 will be deferred to 2022.

(ii) Under the AIG Asset Management (Europe) Limited facility for Park Plaza Westminster Bridge London, the borrower must ensure that the aggregate amount of the outstanding facility does not exceed 70% of the value of the hotel as set out in the most recent valuation (LTV). In addition, the borrower must ensure that, on each interest payment date, the historical and projected DSCR are not less than 140%. The floating rate leg of this loan £6.3 million (as at 31 December 2020) has an associated interest rate cap, hedging the risk of the all-in rate exceeding 3.5%. In May 2020, the Group received from the bank a waiver for the DSCR covenants until 30 April 2021 (inclusive) with the first test due in July 2021 based on the results for 30 June 2021. After the reporting period, the Group received from the bank a waiver for the DSCR and the LTV covenants until 30 April 2022 (inclusive) with the first test due in July 2022 based on the results for 30 June 2022.

(iii) Under the facility arranged by Cornerstone Real Estate Advisers Europe LLP, a member of the MAFF Mutual Financial Group, for Park Plaza Victoria London, the borrower must ensure that the aggregate amount of the outstanding facility does not exceed 75% of the value of the hotel as set out in the most recent valuation (LTV). In addition, the borrower must ensure that, on each interest payment date, the historical and projected DSCR are not less than 180%. In July 2020, the Group received from the bank a waiver for the DSCR covenants until 20 July 2021 based on the results for 30 June 2021. After the reporting period, the Group received from the bank a waiver for the DSCR and the LTV covenants until 19 July 2022 with the first test due on 20 July 2022 based on the results for 30 June 2022.

(iv) Under the Bank Hapoalim Loan for three of the Group's UK hotels and the 46 units owned within Park Plaza County Hall London, the borrowers must ensure that the aggregate amount of the outstanding loan does not exceed 65% of the value of the properties and units secured (LTV). In addition, on each interest payment date, the borrowers must ensure that the historical debt service cover should be at least 110% from March 2019, rising to 120% following the third anniversary of the agreement. In June 2020, the Group received a letter from the bank confirming that the historical debt service cover covenant testing will be postponed to 30 September 2021 and the loan amortisation for Q2-Q3 2020 will be postponed to the termination date of the loan. After the reporting period, the Group received from the bank a waiver for the DSCR and the LTV covenants until 30 March 2022 with the first test due on 30 April 2022 based on the results for 31 March 2022. In addition, it was agreed that the DSCR covenant for 31 March 2022 and 30 June 2022 will be set at 110% and will be tested over a period of six and nine months respectively.

(v) In March 2019, W29 Owner LLC entered into a Loan agreement with Bank Hapoalim New York for an amount of US$22.15 million where PPHE Hotel Group is a guarantor. Under this agreement, PPHE Hotel Group must ensure that it maintains an aggregate net worth of at least US$33 million and have liquid assets with a market value of at least US$5 million. In February 2020, the Group exercised the extension option in this facility to extend the maturity date for a year till March 2021.

(vi) Under the Bank Hapoalim loan relating to art'otel london hoxton, the borrower must ensure that the aggregate amount of the outstanding facility does not exceed 75% of the value of the hotel as set out in the most recent valuation from 7 April 2022 onwards. The borrower must also ensure that the DSCR is not less than 1.2 on each quarter test date starting from either 7 April 2025 or one year after practical completion. Any breach of the aforementioned covenants is subject to an equity cure option. In addition, on each parent guarantor test date, the total equity of PPHE Hotel Group must not be less than: (i) £150 million; and (ii) 20% of its asset value.

(vii) Under the £20 million financing agreement entered into by Waterloo Hotel Holding B.V. with Santander UK Plc on 23 June 2020, the borrower must ensure that the amount of the outstanding loan does not exceed 40% of the value of Park Plaza London Waterloo based on the most recent valuation. The DSCR must also not be less than 125% on each quarter with first test date being 30 September 2021.

Note 15 Borrowings continued

(viii) Under the loan agreement granted by Santander UK Plc to Park Plaza Hotels (UK) Limited pursuant to the Coronavirus Large Business Interruption Loan Scheme (the 'CLBILS Facility'), the borrower must ensure that at all times its tangible net worth exceeds £300 million. In addition, the borrower must: (i) ensure that the UK borrowings to aggregate UK asset value does not at any time exceed 60 %; (ii) ensure that on each test date, the UK interest cover ratio for the borrower and its subsidiaries is greater than 1.25 with first test date being 31 December 2021; (iv) in the event that the Waterloo facility referred to above at paragraph xii is repaid or cancelled, ensure that the aggregate market value of all hotels unencumbered by any security (determined in accordance with the most recent valuation of such hotels) is at least two times the amount of the total commitments under the CLBILS Facility; and (v) maintain minimum liquidity of £3 million at all times.

(ix) Under the £1.64 million loan granted by Santander UK Plc to PPHE Living Limited dated 29 January 2020, the ICR for each 12-month period must not be less than 125%. In addition, the borrower must ensure that the outstanding loan does not exceed 65% of the value of the borrower's freehold property at Acton Lane (based on the most recent valuation).

(x) Under the Deutsche Hypothekenbank AG facility for ACO Hotel Holding B.V. and ABK Hotel Holding B.V., the borrower must ensure throughout the entire term of the loan that the outstanding amount of the loan does not exceed 70% of the value of the properties and that the DSCR is not less than 110%. In September 2020, the Group received a letter from the bank confirming that all financial covenant testing will be postponed to 31 December 2022 and the loan amortisation for Q2-Q3 2020 will be postponed to 31 December 2021.

(xi) Under the Deutsche Hypothekenbank AG facility for Park Plaza Nuremberg, the borrower must ensure throughout the entire term of the loan that the outstanding amount of the loan does not exceed 65% of the value of the property and that the DSCR is not less than 180%. In September 2020, the Group received a letter from the bank confirming that all financial covenant testing will be postponed to 31 December 2022 and the loan amortisation for Q2-Q3 2020 will be postponed to 31 December 2021.

(xii) Under the Zabrebačka Banka d.d. joint €32.0 million and HRK 205.0 million facilities, the borrower must ensure that at year end, based on audited standalone financial statements of the borrower, the DSCR is equal to or greater than 120% during the life of the loan and that the Net Debt/EBITDA ('net leverage ratio') is equal to or lower than 5.5 at year end 2019, is equal to or lower than 5.0 at year end 2020, and is equal to or lower than 4.5 at year end 2021 and for each succeeding calendar year during the remaining life of the loan. In November 2020, the Group received a letter from the bank confirming waiver of the net leverage ratio for 2020.

(xiii) Under the Zabrebačka Banka d.d. €10.0 million and HRK 60.0 million facilities, the borrower must ensure that at year end, based on audited consolidated financial statements of the borrower, the DSCR is equal to or greater than 120% during the life of the loan and that the net leverage ratio is equal to or lower than 5.5 at year end 2019, is equal to or lower than 5.0 at year end 2020, and is equal to or lower than 4.5 at year end 2021 and for each succeeding calendar year during the remaining life of the loan. Moreover, under the HRK 60 million facility, the amount of the loan cannot exceed 70% of the value of the properties. In December 2020, the Group received a letter from the bank confirming waiver of the net leverage ratio for 2020.

(xiv) Under the Erste Bank €5.0 million and €10.2 million facilities, the borrower must ensure throughout the entire term of the loan that the interest coverage ratio ('ICR') is at least three times EBITDA and net leverage which is equal to or lower than 7.0 at year end 2022 and equal or lower than 4.5 thereafter. The first covenant test will be based on the annual audited consolidated financial statements for 2022 and is due by the end of June 2023.

(xv) Under the Erste Banka d.d. and Zagrebačka Banka d.d. facility for the purpose of financing the refurbishment of Hotel Brioni Pula in the total amount of €24.0 million, the borrower has to comply with the following consolidated covenants, tested once a year using audited financial statements for the preceding year: DSCR 1, which includes the cash opening balance for the year, is equal to or greater than 3.0 until 2022 and 3.5 from 2023 onwards. DSCR 2, which excluding cash, is equal or greater than 1.2 throughout the life of the loan. Net leverage ratio is equal to or lower than 4.5, the testing of which starts for the 2023 financial year end and onwards. The amount of the loan cannot exceed 70% of the property used as collateral. The withdrawal of the loan is also subject to a deposit of up to €7.0 million, which has a release mechanism embedded subject to certain defined conditions. The net assets test has to be at least 30%.

(xvi) Under the OTP Banka d.d. facility for the purpose of financing the purchase and subsequent refurbishment of Guest House Hotel Riviera, Pula in the total amount of €10.0 million the borrower has to comply with the following standalone covenants, tested once a year using audited financial statements for the preceding year: net leverage ratio is equal to or lower than 6.0 at year end 2021 and equal to or lower than 4.5 at year end 2022 and onwards. The net assets test has to be at least 55%. The loan consists of two equal tranches in the amount of €5.0 million each. The loan has a deposit build up mechanism, subject to certain conditions. Arena cannot pay dividend until year end 2021 (and in line with the contractual limitations for entities that used Government support during the pandemic) and a dividend basket of HRK 25.0 million until year end 2022. No limitations on profit distribution thereafter.

(xvii) Under the AIK Banka a.d. facility for the purpose of financing the purchase of 88 Rooms Hotel in Belgrade, Serbia in the total amount of EUR 4.2 million the borrower (Arena 88 Rooms Holding d.o.o.) has to ensure that the value of the purchased asset is not lower by more than 35% when compared to the value of the asset as defined during 2020 by an external reputable valuator.

As at 31 December 2020, taking into account all the covenant waivers received, the Group is in compliance with all of its banking covenants.

Note 16 Provisions

Provision for concession fee on land

In accordance with the provisions of the Tourist and Other Construction Land Not Appraised During the Transition and Privatisation Process Act from 2010 (the TLA), Arena submitted requests to the Republic of Croatia and the relevant municipality for the award of tourist land concessions in relation to land areas in eight campsites and three tourist resorts in Croatia. The TLA failed to produce the desired impact and to resolve the issues of the ownership/use of the tourist land. This in turn caused far reaching consequences in the form of lack of investments into tourist land, reduced international competitiveness of Croatian tourism due to lack of development and reduced income of the state and local municipalities. The Croatian government therefore adopted a new legislation to deal with, inter alia, the so-called tourist land and proprietary relationships between the owner of such land and the owner of the facilities built thereon. In May 2020, the new Non-Appraised Construction Land Act (the NCLA) replaced the TLA and all initiated requests based on the TLA were suspended. Pursuant to the NCLA, the ownership of the land underneath the facilities in the campsites that were assessed into the share capital of Arena is now also legally recognised as ownership of Arena, while the Republic of Croatia will be the sole owner of the other land in the campsites. In respect to the tourist resorts, the ownership of the land underneath the facilities that have been assessed into the share capital of Arena is now also recognized as ownership of Arena, together with the land surrounding such facilities that makes (together with the relevant facilities) the technological and functional unity. Tourist land in the tourist resorts which was not assessed into the share capital of Arena and which serves the standard usage of the resorts shall be owned by a local municipality.
In relation to the land in campsites owned by the Republic of Croatia and the land in tourist reports owned by the local municipalities, Arena will ex lege be deemed long-term (50 years) lessee and will conclude the lease agreement with the state/local municipalities once the procedure envisaged by the NCLA will be complete. However, the Government has still not adopted the secondary level regulation that would govern the rent payable by the lessees for such lease nor have the procedures required for the implementation of the Act and actual registration of the ownership over the respective part of land in campsites/tourist resorts been completed. This creates uncertainties in relation to the current and future assets and obligations of Arena. While the TLA was still applicable, Arena paid 50% of the concession fees in respect of the eight campsites and accrued the remaining 50% until entering into the envisaged concession agreements. As the new NCLA has not yet set the rules for the rent payable based on the lease agreement, Arena kept the same accrual and provisioning model. The provisions are visible in the Company’s statement of financial position.

	2020 £’000	2019 £’000
Balance as at 1 January	**4,730**	4,330
Additions	**476**	652
Exchange rate differences	**193**	(252)
Balance as at 31 December	**5,399**	4,730

Note 17 Financial liability in respect of Income Units sold to private investors

	2020 £’000	2019 £’000
Total liability	**143,760**	143,268
Due from investors for reimbursement of capital expenditure	**(17,605)**	(16,564)
	126,155	126,704

This liability originated from the proceeds received from the sale to private investors of the future 999-year cash flows, derived from certain Income Units in Park Plaza Westminster Bridge London. Furthermore, as the investors are required to fund all capital expenditures (‘capex’) to be made in connection with these rooms, a receivable is recorded in each period for any excess of depreciation expense over the amounts paid by the investors on account of capex. This receivable is offset from the liability to the investors.

This liability is amortised over the term of the agreement, that being 999 years.

Note 18 Other financial liabilities

	As at 31 December	
	2020	2019
	£'000	£'000
Derivative financial instruments	**879**	674
Lease liabilities (see Note 19)	**243,650**	227,998
Other	**289**	301
	244,818	228,973

Note 19 Leases

Group as a lessee

The Group has lease contracts for various items which mainly includes hotels, including land, offices and storage buildings. Leases of land have lease terms between 125-199 years while hotel buildings, offices and storage have lease terms between 2 and 95 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases with lease terms of 12 months or less and leases with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land £'000	Hotel buildings £'000	Offices and storage £'000	Furniture, fixtures and equipment £'000	Total £'000
Cost:					
Balance as at 1 January 2019	86,149	114,026	8,471	23,873	232,519
Additions during the year	–	–	1,037	–	1,037
Disposal	–	–	(689)	–	(689)
Remeasurement of right-of-use assets	–	4,909	–	–	4,909
Adjustment for exchange rate differences	(608)	(970)	(28)	–	(1,606)
Balance as at 31 December 2019	85,541	117,965	8,791	23,873	236,170
Accumulated depreciation and impairment:					
Balance as at 1 January 2019	4,014	1,664	–	4,870	10,548
Provision for depreciation	462	3,360	1,159	2,968	7,949
Disposal	–	–	(235)	–	(235)
Adjustment for exchange rate differences	(6)	(76)	–	–	(82)
Balance as at 31 December 2019	4,470	4,948	924	7,838	18,180
Net book value as at 31 December 2019	81,071	113,017	7,867	16,035	217,990
Cost:					
Balance as at 1 January 2020	**85,541**	**117,965**	**8,791**	**23,873**	**236,170**
Additions during the year	**–**	**12,612**	**2,565**	**–**	**15,177**
Disposal	**–**	**–**	**(366)**	**–**	**(366)**
Remeasurement of right-of-use assets	**–**	**–**	**–**	**–**	**–**
Adjustment for exchange rate differences	**1,152**	**(112)**	**54**	**–**	**1,094**
Balance as at 31 December 2020	**86,693**	**130,465**	**11,044**	**23,873**	**252,075**
Accumulated depreciation and impairment:					
Balance as at 1 January 2020	**4,470**	**4,948**	**924**	**7,838**	**18,180**
Provision for depreciation	**462**	**3,406**	**1,198**	**2,398**	**7,464**
Impairment	**–**	**2,781**	**–**	**–**	**2,781**
Disposal	**–**	**–**	**(197)**	**–**	**(197)**
Adjustment for exchange rate differences	**2**	**49**	**3**	**–**	**54**
Balance as at 31 December 2020	**4,934**	**11,184**	**1,928**	**10,236**	**28,282**
Net book value as at 31 December 2020	**81,759**	**119,281**	**9,116**	**13,637**	**223,793**

The amount of borrowing costs capitalised during the year ended 31 December 2020 was £206 thousand (2019: Nil).

Note 19 Leases continued

Impairment

The Group performed impairment test in December 2020 for all individual Right-of-use asset where indication loss occurred. Each asset had been tested on Cash Generating Unit level (CGU-level).

The discount rate applied to cash flow projections was 9%. Impairment loss has been recognised for the Right-of-use asset where carrying amount exceeded recoverable amount. The impairment loss in the amount of £2,781 thousand is recorded within Depreciation, amortization and impairment expenses in the income statement.

Set out below are the carrying amounts of lease liabilities (included under Other financial liabilities and Other payables) and the movements during the period:

	2020 £'000	2019 £'000
As at 1 January	**231,594**	227,078
Additions	**14,671**	1,037
Disposals	**(174)**	(458)
Accretion of interest[1]	**9,542**	9,146
Payments	**(6,898)**	(12,501)
Remeasurement of lease liability recorded in other expenses	**3,369**	3,359
Remeasurement of lease liability adjusted against Right-of-use assets	**–**	4,909
Exchange rate differences recorded in Profit & Loss	**2,073**	(30)
Adjustments for foreign exchange differences	**(133)**	(946)
As at 31 December	**254,044**	231,594
Current	**10,394**	3,596
Non current	**243,650**	227,998

[1] The amount of borrowing costs capitalised during the year ended 31 December 2020 was 206 thousand (2019: Nil).

Set below is a split of the lease liabilities, cash payments and effect in the income statement between lease agreements for a period longer than 100 years ('long-term leases') and leases for a period of up to 45 years (2019: 35 years) ('short-term leases').

	Year ended 31 December 2020 £'000		
	Long term leases (>100)	**Short term leases (<35)**	**Total**
Lease liabilities	**198,366**	**55,678**	**254,044**
Fixed lease payments	**3,591**	**3,307**	**6,898**
Accretion of interest	**8,388**	**1,154**	**9,542**
Depreciation	**3,673**	**3,756**	**7,429**

	Year ended 31 December 2019 £'000		
	Long term leases (>100)	Short term leases (<35)	Total
Lease liabilities	194,997	36,597	231,594
Fixed lease payments	8,203	4,328	12,531
Accretion of interest	8,203	943	9,146
Depreciation	4,250	3,699	7,949

Note 19 Leases continued

Details regarding certain long term lease agreements are as below:

(a) On 29 January 2020 the Group through its subsidiary Arena Hospitality Group d.d. ('Arena') entered into a 45-year lease for the development and operation of a contemporary branded hotel in Zagreb, Croatia. The development, which is subject to obtaining the necessary permits, involves the conversion of an iconic building in a prime location in the historic heart of the city. Once opened, this 115 room hotel will include a destination restaurant and bar, wellness and spa facilities, fitness centre, event space and parking.

(b) Grandis Netherlands Holding B.V. ('Grandis') has a land leasehold interest, expiring in 2095, of Holmes Hotel London. The current annual rent amounts to £1,140 thousand (subject to 'open market value' rent review every five years).

Grandis has an option to extend the lease to a total of 125 years, expiring in 2121. The Company also has an option to terminate the lease in 2059.

(c) Riverbank Hotel Holding B.V. has a land leasehold interest, expiring in 2125, for Park Plaza London Riverbank, subject to rent review every five years, based on CPI. A deed of variation of the lease of Park Plaza London Riverbank was entered into on 13 June 2014 under which the rent payable under the lease increased to £1,001 thousand per annum and the tenant was granted a right to renew the lease for an additional 60 years. At completion of the deed, the landlord paid £5.0 million to Riverbank Hotel Holding B.V., which is accounted for as part of the long-term lease liability.

(d) On 18 June 2012, Park Royal Hotel Holding B.V. ('Park Royal') completed the purchase of the freehold property at 628 Western Avenue, Park Royal, London (the 'Site'), which was a development site on one of the main thoroughfares into London, for £6.0 million. Simultaneously, Park Royal completed the sale of the Site at a price of £7.0 million and the leaseback of the Site at an initial rent of £306 thousand per year for 170 years.

(e) On 20 July 2017, Waterloo Hotel Holding B.V. completed the sale of Park Plaza London Waterloo for £161.5 million subject to a leaseback for 199 years. The initial rent of £5.6 million per year will have annual inflation adjustments subject to a cap of 4% and collar of 2%.

The following are the amounts recognised in profit or loss:

	As at 31 December	
	2020 £'000	2019 £'000
Depreciation expense and impairment of right-of-use assets	**10,210**	7,949
Interest expense on lease liabilities	**9,336**	9,146
Expense relating to low-value assets and short-term leases (included in operating expenses)	**220**	248
Expense relating to low-value assets and short-term leases (included in rent expenses)	**370**	331
Variable lease payments (included in rent expenses)	**634**	1,443
Total amount recognised in profit or loss	**20,770**	19,117

The Group had total cash outflows for leases of £8,122 thousand in 2020 (2019: £14,553 thousand).

The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments in 2020 and 2019:

	As at 31 December 2020		
	Fixed payments £'000	**Variable payments £'000**	**Total £'000**
Fixed rent	**5,859**	**–**	**5,859**
Variable rent with minimum payment	**1,039**	**(1)**	**1,038**
Variable rent only	**–**	**635**	**635**

	As at 31 December 2019		
	Fixed payments £'000	Variable payments £'000	Total £'000
Fixed rent	11,721	–	11,721
Variable rent with minimum payment	810	431	1,241
Variable rent only	–	1,012	1,012

Note 20 Other payables and accruals

	As at 31 December	
	2020	2019
	£'000	£'000
Current portion of lease liabilities	**10,394**	3,596
Employees	**3,049**	2,991
VAT and taxes	**11,987**	10,888
Accrued interest	**3,009**	3,087
Corporate income taxes	**541**	1,408
Accrued expenses	**8,768**	10,908
Advance payments received	**7,426**	10,391
Accrued rent	**1,414**	835
Variable income payment to holders of Income Units	**2,226**	3,222
Related parties*	**2,853**	–
	51,667	47,326

* See Note 30.

Note 21 Revenues

	Year ended 31 December	
	2020	2019
	£'000	£'000
Rooms	**63,628**	250,608
Campsites and mobile homes	**7,815**	17,584
Food and beverage	**21,050**	75,363
Minor operating	**5,662**	7,102
Management fee (see Note 14(c)(i))	**418**	2,467
Franchise and reservation fee (see Note 14(c)(i))	**819**	1,734
Marketing fee	**203**	852
Other	**2,192**	1,982
	101,787	357,692

Note 22 Operating expenses

	Year ended 31 December	
	2020	2019
	£'000	£'000
Salaries and related expenses	**74,746**	107,146
Franchise, reservation and commissions expenses (see Note 14(c)(i))	**9,255**	27,830
Food and beverage	**4,923**	18,171
Insurance and property taxes	**9,841**	17,937
Utilities	**6,954**	11,126
Administration costs	**4,569**	7,812
Maintenance	**4,293**	6,937
Laundry, linen and cleaning	**1,862**	5,039
Supplies	**1,704**	4,481
IT expenses	**1,374**	1,673
Communication, travel and transport	**1,288**	2,637
Marketing expenses	**1,374**	2,308
Government grants	**(24,076)**	–
Defined contribution pension premiums	**3,121**	3,980
Other expenses	**9,642**	15,947
	110,870	233,024

Note 23 Financial expenses

	Year ended 31 December	
	2020 **£'000**	2019 £'000
Interest and other finance expenses on bank loans	**23,408**	22,768
Interest on lease liabilities	**9,336**	9,146
Foreign exchange differences, net	**2,395**	112
Expense from Park Plaza County Hall London Units	**8**	–
Other	**379**	63
	35,526	32,089

Note 24 Financial income

	Year ended 31 December	
	2020 **£'000**	2019 £'000
Income from Park Plaza County Hall London Units	**–**	1,057
Interest on bank deposits	**132**	395
Gain from marketable securities	**123**	900
Interest and other financial income from jointly controlled entities (see Note 30(b))	**136**	571
	391	2,923

Note 25 Other income and expenses

a. Other expenses

	Year ended 31 December	
	2020 **£'000**	2019 £'000
Capital loss on buy-back of Income Units previously sold to private investors	**–**	694
Government settlement purchase of Guest House Hotel Riviera Pula (see Note 5d)	**1,544**	–
Remeasurement of lease liability*	**3,369**	3,359
Revaluation of Income Units Park Plaza County Hall London (see Note 7)	**2,402**	–
Loss on disposal of property, plant and equipment	**1,774**	301
Other non-recurring expenses (including pre-opening expenses)	**647**	756
	9,736	5,110

* This amount represents remeasurement of the Waterloo lease liability based on the 2% collar (see Note 19).

b. Other income

	Year ended 31 December	
	2020 **£'000**	2019 £'000
Insurance settlement**	**9,982**	–
Revaluation of Income Units Park Plaza County Hall London (see Note 7)	**–**	923
Release of provision for litigation*	**–**	1,093
Gain on sale of fixed assets	**317**	209
	10,299	2,225

* Relates to disputes between Arena and the utility companies Pula Herculanea d.o.o. and Vodovod Pula d.o.o. in relation to payment of fees and charges for maintenance and development of the water supply and sewage infrastructure system charged to the Company based on water consumption. These disputes have been settled in 2019 and consequently, the relevant provisions in the accounts have been released.

** Net insurance proceeds received in relation to one of the Group's UK hotels.

Note 26 Net expenses for financial liability in respect of Income Units sold to private investors

	Year ended 31 December	
	2020 **£'000**	2019 £'000
Guaranteed return (see Note 2(k))	**565**	955
Variable return (see Note 2(k))	**2,646**	12,182
Reimbursement of depreciation expenses (see Note 2(k))	**(942)**	(2,592)
Change in expected cash flow income swaps (see Note 7)	**310**	250
	2,579	10,795

Note 27 Income taxes

a. Tax benefit (expense) included in the income statement

	Year ended 31 December	
	2020 £'000	2019 £'000
Current taxes	**(458)**	(1,591)
Adjustments in respect of current income tax of previous year	**(626)**	1,303
Deferred taxes	**1,808**	4,393
	724	4,105

b. The following are the major deferred tax (liabilities) and assets recognised by the Group and changes therein during the period:

	Tax loss carry forward and timing difference on provisions £'000	Property, plant and equipment and intangible assets £'000	Tax Incentives £'000	Total £'000
Balance as at 1 January 2019	3,302	(10,322)		(7,020)
Amounts charged to income statement	(415)	(538)	4,873	3,920
Change in tax rate	–	191	–	191
Adjustments for exchange rate differences	(36)	345	(147)	162
Balance as at 31 December 2019	2,851	(10,324)	4,726	(2,747)
Amounts charged to income statement	**955**	**(251)**	**1,104**	**1,808**
Change in tax rate	**47**	**(757)**		**(710)**
Reclassification	**292**	**(292)**		
Adjustments for exchange rate differences	**63**	**(375)**	**213**	**(99)**
Balance as at 31 December 2020	**4,208**	**(11,999)**	**6,043**	**(1,748)**

The above deferred taxes have been set off when they relate to the same jurisdictions and presented in the consolidated financial statements as follows:

	As at 31 December	
	2020 £'000	2019 £'000
Deferred tax assets	**6,724**	5,173
Deferred tax liabilities	**(8,472)**	(7,920)
	(1,748)	(2,747)

c. Reconciliation between tax benefit (expense) and the product of accounting profit multiplied by the Group's tax rate is as follows:

	Year ended 31 December	
	2020 £'000	2019 £'000
Profit before income taxes	**(94,688)**	38,477
Expected tax at the tax rate of the United Kingdom 19% (2019: 20%)	**17,991**	(7,695)
Adjustments in respect of:		
Effects of other tax rates	**2,771**	3,672
Non-deductible expenses	**(7,496)**	(71)
Utilisation of carried forward losses and temporary differences for which deferred tax assets were not previously recorded	**338**	1,336
Temporary differences for which no deferred tax asset was recorded	**(1,762)**	(73)
Non-taxable income	**(202)**	779
Unrecognised current year tax losses	**(12,351)**	(282)
Recognition of deferred tax asset	**964**	–
Recognition of investment tax credit (see Note 27(f))	**1,104**	6,351
Other differences (including change in tax rate)	**(633)**	88
Income tax benefit (expense) reported in the income statement	**724**	4,105

Note 27 Income taxes continued

d. Tax laws applicable to the Group companies:

(i) The Company is subject to taxation under the laws of Guernsey. The Company is therefore taxed at the standard rate of 0%.

(ii) Foreign subsidiaries are subject to income taxes in their country of domicile in respect of their income, as follows:

1. Taxation in the Netherlands: corporate income tax rate is 25%.

2. Taxation in the United Kingdom: corporate income tax rate for domiciled companies 20% and for non-domiciled companies is 19% (2019: 20%).

3. Taxation in Germany: aggregated corporate tax rate and trade income rate 29.7%.

4. Taxation in Hungary: corporate income tax rate 9%.

5. Taxation in Croatia: corporate income tax rate 18%.

In December 2018, the Dutch Senate adopted the 2019 law business offered by the parliament which included a gradual reduction in corporate income tax. According to this new legislation, corporate income tax rate will reduce to 22.55% in 2020 and 20.5% in 2021 and onwards. However the adopted reductions were updated under the 2020 tax plan which was adopted on 17 December 2019 and it was decided that the corporate income tax rate for 2020 will remain at 25% and from 2021 onwards the rate will be 21.7%. In 2020, under the 2021 tax plan which was adopted on 14 December 2019 it was decided that the reduction in corporate income tax rate to 21.7% will be cancelled and the tax rate will remain at 25%.

e. Losses carried forward for tax purposes

The Group has carried forward losses for tax purposes estimated at approximately £184.9 million (2019: £120 million). The Group did not establish deferred tax assets in respect of losses amounting to £166.2 million (2019: £108 million) of which tax losses amounting to £30.5 million may be utilised for a period of up to seven years. The remaining tax losses may be carried forward indefinitely.

The carried forward losses relate to individual companies in the Group, each in its own tax jurisdiction. When analysing the recovery of these losses the Group assesses the likelihood that these losses can be utilised against future trading profits. In this analysis the Group concluded that for the majority of these companies it is not highly likely that future profits will be achieved that can be offset against these losses, mainly due to the nature of their trade (i.e. holding companies or tax exempt activities). Based on this uncertain profitability, the Company determined that it could not recognise deferred tax assets for the majority of the losses. The Company is performing this analysis on an ongoing basis.

f. Tax incentives

In May 2019, pursuant to the Investment Promotion and Development of Investment Climate Act in Croatia (the 'Climate Act'), Arena became eligible to claim incentive allowances. According to the Climate Act, upon investing an amount between €3 million and €50 million in existing properties and meeting certain conditions, Arena will be entitled to a tax incentive of up to 25% of the actual investment which can be utilised against taxable profits for a period of ten years from the investment start date. During 2019 and 2018 Arena invested a total amount eligible for incentives of HRK 173.3 million (£20.4 million) and HRK 68.8 million (£8.2 million), respectively. During 2020 Arena invested a total amount eligible for incentives of HRK 37.9 million (£4.5 million).

In 2019 Arena utilised investment tax credit in respect of 2019 in the amount of HRK 7.5 million (£0.9 million) and in respect of 2018 an amount of HRK 11.8 million (£1.4 million). The unutilised investment tax credit was recognised as deferred tax asset in an amount of HRK 41.3 million (£4.1 million). In 2020 Arena recognised a deferred tax asset in relation to the investments that took place in 2020 with a total amount of HRK 9.5 million (£1.1 million).

Arena has the right to use the investment tax credits in the next ten years from the approval date granted by the relevant authorities. The execution of the investment project is subject to supervision by the relevant institutions and the subsidiary is not permitted to reduce the number of new jobs created (as one of the requirements to qualify for the incentives) in addition to other conditions, throughout the period of the incentive measures. If the prescribed conditions for the tax incentives are not met, Arena would be liable to retroactively pay income tax inclusive of any penalty interest.

Note 28 Earnings per share

The following reflects the income and share data used in the basic earnings per share computations:

	Year ended 31 December	
	2020 **£'000**	2019 £'000
Profit (loss) attributable to equity holders of the parent	**(81,731)**	33,915
Weighted average number of ordinary shares outstanding	**42,466**	42,391

Potentially dilutive instruments 140,140 in 2020 are not considered, since their effect is antidilutive (increase of loss per share) (2019: 211,518 had an immaterial effect on the basic earnings per share).

Note 29 Segments

For management purposes, the Group's activities are divided into Owned Hotel Operations and Management Activities (for further details see Note 14(c)(i)). Owned Hotel Operations are further divided into four reportable segments: the Netherlands, Germany, Hungary and Serbia, Croatia and the United Kingdom. The operating results of each of the aforementioned segments are monitored separately for the purpose of resource allocations and performance assessment. Segment performance is evaluated based on EBITDA, which is measured on the same basis as for financial reporting purposes in the consolidated income statement.

	Year ended 31 December 2020						
	The Netherlands £'000	**Germany, Hungary and Serbia £'000**	**United Kingdom £'000**	**Croatia £'000**	**Management and Central Services £'000**	**Adjustments* £'000**	**Consolidated £'000**
Revenue							
Third party	**14,948**	**8,806**	**56,544**	**18,729**	**2,760**		**101,787**
Inter-segment					**11,633**	**(11,633)**	**–**
Total revenue	**14,948**	**8,806**	**56,544**	**18,729**	**14,393**	**(11,633)**	**101,787**
Segment EBITDA	**(54)**	**(549)**	**1,466**	**362**	**(11,312)**	**–**	**(10,087)**
Depreciation, amortisation and impairment							**(46,624)**
Financial expenses							**(35,526)**
Financial income							**391**
Net expenses for liability in respect of Income Units sold to private investors							**(2,579)**
Other income (expenses), net							**563**
Share in result of joint ventures							**(826)**
Profit before tax							**(94,688)**

* Consist of inter-company eliminations.

	The Netherlands £'000	**Germany, Hungary and Serbia £'000**	**United Kingdom £'000**	**Croatia £'000**	**Adjustments[2] £'000**	**Consolidated £'000**
Geographical information						
Non-current assets[1]	**207,844**	**98,990**	**854,517**	**216,532**	**65,022**	**1,442,905**

1 Non-current assets for this purpose consists of property, plant and equipment, right to use assets and intangible assets.
2 This includes the fixed assets of Management and Central Services and the intangible fixed assets.

	Year ended 31 December 2019						
	The Netherlands £'000	Germany and Hungary £'000	United Kingdom £'000	Croatia £'000	Management and Central Services £'000	Adjustments* £'000	Consolidated £'000
Revenue							
Third party	53,776	29,521	207,381	61,147	5,867		357,692
Inter-segment					38,384	(38,384)	–
Total revenue	53,776	29,521	207,381	61,147	44,251	(38,384)	357,692
Segment EBITDA	15,003	8,704	70,696	18,227	10,264	–	122,894
Depreciation, amortisation and impairment							(41,749)
Financial expenses							(32,089)
Financial income							2,923
Net expenses for liability in respect of Income Units sold to private investors							(10,795)
Other expenses, net							(2,885)
Share in result of joint ventures							178
Profit before tax							38,477

* Consist of inter-company eliminations.

Note 29 Segments continued

	The Netherlands £'000	Germany and Hungary £'000	United Kingdom £'000	Croatia £'000	Adjustments[2] £'000	Consolidated £'000
Geographical information						
Non-current assets[1]	202,673	97,195	840,130	178,928	30,761	1,349,687

1 Non-current assets for this purpose consists of property, plant and equipment, right to use assets and intangible assets.
2 This includes the fixed assets of Management and Central Services and the intangible fixed assets.

Note 30 Related parties

a. Balances with related parties

	As at 31 December	
	2020 £'000	2019 £'000
Loans to joint ventures	**5,066**	11,720
Short-term receivables	**–**	34
Short-term payable	**88**	–
Payable to GC Project Management Limited	**903**	(261)
Payable to Gear Construction UK Limited	**1,862**	–

b. Transactions with related parties

	Year ended 31 December	
	2019 £'000	2019 £'000
Cost of transactions with GC Project Management Limited	**(2,784)**	(2,980)
Cost of transactions with Gear Construction UK Limited	**(13,527)**	–
Interest income from jointly controlled entities	**95**	571

c. Significant other transactions with related parties

(i) **Construction of the art'otel london hoxton** – Following the approval by the independent shareholders, on 7 April 2020 the Group entered into a building contract with Gear Construction UK Limited ('Gear') for the design and construction of the art'otel london hoxton hotel on a "turn-key" basis (the 'building contract'). Under the building contract Gear assumes the responsibility for the design and construction of the main works for the design and build of art'otel london hoxton for a lump sum of £160 million (exclusive of VAT) (the 'Contract Sum').

On top of the contract sum, the Group is entitled to novate certain existing contracts relating to the project to Gear at cost subject to a cap of £5.1 million (exclusive of VAT). Gear is required to complete the works to be executed under the building contract by 2024.

Gear's obligations and liabilities under the building contract are supported by a corporate guarantee from Red Sea Hotels Limited, an associate of Euro Plaza Holdings B.V. and therefore a related party of the Company, in the amount of 10% of the Contract Sum (the 'corporate guarantee'). The corporate guarantee expires on the later of: (i) the expiry of the 2 year defects rectification period which follows practical completion of the works and (ii) the issue of the latent defect insurer's approval or final technical audit report.

As part of entering into the building contract, the Hoxton Project Management Agreement dated 21 June 2018 was terminated.

(ii) **Sub-lease of office space** – A member of the Group has agreed to sub-lease a small area of office space to members or affiliates of the Red Sea Group at its County Hall corporate office in London. Such sub-leases expire on 20 July 2021 and the rent payable by the Red Sea Group to PPHE Hotel Group is based on the cost at which the landlord is leasing such space to PPHE Hotel Group.

(iii) **Pre-Construction and Maintenance Contract** – The Group frequently uses GC Project Management Limited ('GC') to undertake preliminary assessment services, including appraisal work, and provide initial estimates of the construction costs. Further, GC provides ad-hoc maintenance work when required to the Group's various sites. Accordingly, the Group has entered into an agreement with GC for the provision of pre-construction and maintenance services by GC to the Group for a fixed annual retainer of £60,000.

(iv) Transactions in the ordinary course of business, in connection with the use of hotel facilities (such as overnight room stays and food and beverages) are being charged at market prices. These transactions occur occasionally.

Note 30 Related parties continued

	Base salary and fees £'000	Salary Sacrifice Options £'000	Bonus £'000	Additional Remuneration £'000	Retention award[3] £'000	Pension contributions £'000	Other benefits £'000	Total[1] £'000	Total Cash paid £'000
Chairman and Executive Directors	**730**	**9**	**75[2]**	**–**	**–**	**114**	**16**	**944**	**448**
Non-Executive Directors	**232**	**–**	**–**	**–**	**–**	**–**	**–**	**232**	**232**
	962	**9**	**75**	**–**	**–**	**114**	**16**	**1,176**	**680**

1 Include the amounts which became payable in the 2020 financial year to the relevant Directors which were deferred.
2 An executive director is entitled to a bonus of £75,000 in respect of 2019 financial year which is subject to leaver provisions. This bonus was not paid in 2020 and as at 31 December 2020 is included in other payables and accruals.
3 An executive director joined the retention bonus scheme as of 1 January 2020. The retention bonus scheme awards the amount of £50,000 cash per year, payable on the 5th anniversary of joining only if the participant remains in employment subject to leaver provisions, as further specified in the scheme rules.

	Base salary and fees £'000	Bonus £'000	Additional Remuneration £'000	Retention award £'000	Pension contributions £'000	Other benefits £'000	Total £'000	Total Cash paid £'000
Chairman and Executive Directors	855	60[1]	–	53	113	5	1,086	1,086
Non-Executive Directors	243	–	30		–	–	273	273
	1,098	60	30	53	113	5	1,359	1,359

1 Bonus to an executive director in respect of 2018 financial year that was paid in 2019.

Directors' interests in employee share incentive plan

As at 31 December 2020, the Executive Directors held share options to purchase 179,308 ordinary shares (2019: 75,000). 50,000 options were fully exercisable with an exercise price of £6.90 (2019: 50,000), 16,667 options were fully exercisable with an exercise price of £14.30 (2019: 8,333) and 718 options were fully exercisable with a £nil exercise price (2019: 0). No share options were granted to Non-Executive Directors of the Board.

Note 31 Financial instruments risk management objectives and policies

The Group's principal financial instruments, other than derivatives, and marketable securities comprise bank borrowings, cash and cash equivalents and restricted deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

	Changes in financial liabilities arising from financing activities							
	As at 1 January 2020 £'000	Cash flows £'000	Remeasurement through profit and loss £'000	Foreign exchange movement £'000	New leases/ loans, net £'000	Deferred Payments £'000	Other £'000	As at 31 December 2020 £'000
Non-current interest-bearing loans and borrowings	**664,345**	**(7,530)**	**–**	**12,353**	**54,267**	**(3,718)**	**1,289**	**721,006**
Non-current lease liability	**227,998**	**(1,461)**	**3,369**	**(180)**	**13,552**	**(1,700)**	**2,072**	**243,650**
		–						
Financial liability in respect of Income Units sold to private investors	**126,704**	**–**	**–**	**–**	**–**	**–**	**(549)**	**126,155**
Derivative financial instruments	**674**	**–**	**–**	**42**	**–**	**–**	**164**	**880**
Current interest-bearing loans and borrowings	**13,916**	**–**	**–**	**(173)**	**19,508**	**3,718**	**(600)**	**36,369**
Current lease liability[1]	**3,596**	**(107)**	**–**	**47**	**–**	**6,857**	**–**	**10,393**
	1,037,233	**(9,098)**	**3,369**	**12,089**	**87,327**	**5,157**	**2,376**	**1,138,453**

1 Includes accrued interest on deferred lease payments.

Note 31 Financial instruments risk management objectives and policies continued

	Changes in financial liabilities arising from financing activities							
	As at 1 January 2019 £'000	Cash flows £'000	Remeasure-ment through profit and loss £'000	Remeasure-ment again set right-of-use assets £'000	Foreign exchange movement £'000	New leases/ loans, net £'000	Other £'000	As at 31 December 2019 £'000
Non-current interest-bearing loans and borrowings	681,981	(13,883)	–	–	(13,332)	8,948	631	664,345
Non-current lease liability	223,407	(3,385)	3,359	4,909	(871)	579	–	227,998
Financial liability in respect of Income Units sold to private investors	129,151	(929)	–	–	–	–	(1,518)	126,704
Derivative financial instruments	239	–	–	–	(28)	–	463	674
Current interest-bearing loans and borrowings	15,310	(1,568)	–	–	(477)	651	–	13,916
Current lease liability	3,671	–	–	–	(75)	–	–	3,596
	1,053,759	(19,765)	3,359	4,909	(14,783)	10,178	(424)	1,037,233

The main risks arising from the Group's financial instruments are cash flow interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees on policies for managing each of these risks which are summarised below. The Group's accounting policies in relation to derivatives are set out in Note 2.

a. Interest rate risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The Group's policy is to manage its interest costs using fixed rate debt. To manage its interest costs, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. Furthermore, the Group uses fixed interest rate debts. For this reason the Group's cash flow is not sensitive to possible changes in market interest rates. Possible changes in interest rates do, however, affect the Group's equity as the fair value of the swap agreements changes with interest rate changes. These swaps are designated to hedge underlying debt obligations.

The fair value of the swaps of the Group as at 31 December 2020 amounts to a liability of £879 thousand (2019: liability of £674 thousand).

The Group uses short-term deposits (weekly and monthly) for cash balances held in banks.

b. Credit risk

The Group trades only with recognised, creditworthy third parties. It has policies in place to ensure that sales are made to customers with an appropriate credit history. The Company's policies ensure that sales to customers are settled through advance payments, in cash or by major credit cards (individual customers). Since the Group trades only with recognised third parties, there is no requirement for collateral for debts with third parties. Furthermore, the Group has no dependency on any of its customers. The receivable balances are monitored on an ongoing basis. Management monitors the collection of receivables through credit meetings and weekly reports on individual balances of receivables. The maximum credit exposure equals the carrying amount of the trade receivables and other receivables since a loss allowance for expected credit losses is recorded in respect of all trade and other receivables. The result of these actions is that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents and investment in securities, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group has limited concentration risk in respect of its cash at banks.

Note 31 Financial instruments risk management objectives and policies continued

c. Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group's policy is to arrange medium-term bank facilities to finance its construction operation and then to convert them into long-term borrowings when required.

As a result of the outbreak of COVID-19 pandemic in 2020 and the measures introduced by Governments and authorities across the globe to mitigate the spread of the virus, the Group's operations were significantly impacted. In response, the Group took swift action to strengthen its cash position which includes the postponement of financial covenants testing and amortisation of existing facilities and entering into new loan facilities to finance the working capital of the Group (see Note 1).

Despite the impact of COVID-19 on trading cash flows, the Group continues to hold a strong liquidity position with an overall consolidated cash balance of £114.2 million as at 31 December 2020 and undrawn cash facilities of £83.4 million.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2020 and 2019 based on contractual undiscounted payments.

	As at 31 December 2020					
	Less than 3 months £'000	**3 to 12 months £'000**	**Year 2 £'000**	**Year 3 to 5 £'000**	**> 5 years £'000**	**Total £'000**
Interest-bearing loans and borrowings[1]	**15,039**	**44,779**	**45,318**	**155,888**	**638,367**	**899,391**
Financial liability in respect of Income Units sold to private investors[2]	**–**	**1,970**	**9,198**	**39,420**	**126,155**	**176,743**
Derivative financial instruments	**110**	**330**	**439**	**–**	**–**	**879**
Lease liability[3]	**3,239**	**9,786**	**13,015**	**39,363**	**609,724**	**675,127**
Trade payables	**6,502**	**–**	**–**	**–**	**–**	**6,502**
Other liabilities	**22,392**	**18,671**	**–**	**–**	**12,331**	**53,394**
	47,282	**75,536**	**67,970**	**234,671**	**1,386,577**	**1,812,036**

	As at 31 December 2019					
	Less than 3 months £'000	3 to 12 months £'000	Year 2 £'000	Year 3 to 5 £'000	> 5 years £'000	Total £'000
Interest-bearing loans and borrowings[1]	8,460	26,462	34,683	103,675	652,537	825,817
Financial liability in respect of Income Units sold to private investors[2]	3,285	9,855	13,140	39,420	126,704	192,404
Derivative financial instruments	84	253	337	–	–	674
Lease liability[3]	3,178	9,535	12,710	37,332	592,114	654,869
Trade payables	10,466	–	–	–	–	10,466
Other liabilities	23,096	20,230	–	–	11,614	54,940
	48,569	66,335	60,870	180,427	1,382,969	1,739,170

1 See Note 15 for further information.
2 Presented according to discounted amount due to the variability of the payments over the balance of the 999-year term.
3 Lease liability includes four leases with upward rent reviews based on future market rates in one lease and changes in the Consumer Prices Index (CPI)/retail price index (RPI) in the other lease and, thus, future payments have been estimated using current market rentals and current United Kingdom-based CPIs/RPIs, respectively, except Park Plaza London Waterloo where the amounts included 50 years of future payments regarding the lease of Park Plaza London Waterloo instead of 199 years as stated in the lease agreement. Also, the amounts do not take into account the collar of 2%. The Group's management believes that the amount included in the above table reflects the relevant cash flow risks to which the Group would be reasonably exposed in the ordinary course of business.

Note 31 Financial instruments risk management objectives and policies continued

d. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group monitors capital using a gearing ratio, which is net bank debt divided by total capital plus net bank debt. The Group's policy is to keep the gearing ratio between 50% and 60%. The Group includes within net bank debt interest-bearing bank loans and borrowings, less cash and cash equivalents and other liquid assets. Capital includes equity less the hedging reserve.

	2020 £'000	2019 £'000
Interest-bearing bank loans and borrowings	**757,375**	678,261
Less – cash and cash equivalents	**(114,171)**	(153,029)
Less – long-term restricted cash	**(2,261)**	(1,841)
Less – short-term restricted cash	**(4,755)**	(3,541)
Less – investments in marketable securities	**(27)**	(5,221)
Net debt	**636,161**	514,629
Equity	**404,953**	480,761
Hedging reserve	**703**	655
Total capital	**405,656**	481,416
Capital and net debt	**1,041,817**	996,045
Gearing ratio	**61.1%**	51.7%

e. Fair value of financial instruments

The fair values of the financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade receivables, trade payables, and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of floating interest rate liabilities also approximate their carrying amount as the periodic changes in interest rates reflect the movement in market rates.

The fair value of loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by a valuation technique based on the lowest level input that is significant to the fair value so determined:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value of investments in marketable securities is derived from quoted market prices in active markets. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques for swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, and interest rate curves. In addition, the Group also holds 46 Income Units in Park Plaza County Hall London which were valued by external valuator using a discounted cash flow technique.

The fair value of financial instruments that are not traded in an active market (such as derivatives and the Income Units in Park Plaza County Hall London) is determined by using valuation techniques, based on a discounted cash flow. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Note 31 Financial instruments risk management objectives and policies continued

As at 31 December 2020, the Group held the following financial instruments measured at fair value:

Liabilities

	31 December 2020 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Interest rate swaps used for hedging	**879**	–	–	–

Assets

	31 December 2020 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investments in marketable securities	**27**	–	–	–
Income Units in Park Plaza County Hall London	**15,350**	–	–	–

As at 31 December 2019, the Group held the following financial instruments measured at fair value:

Liabilities

	31 December 2019 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Interest rate swaps used for hedging	674	–	674	–

Assets

	31 December 2019 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investments in marketable securities	5,221	5,221	–	–
Income Units in Park Plaza County Hall London	17,600	–	17,600	–

During 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The carrying amounts and fair values of the Group's financial instruments other than those whose carrying amount approximates their fair value are as follows:

	Carrying amount 31 December		Fair value 31 December	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Financial liabilities				
Bank borrowings	**757,375**	678,261	**792,521**	700,687

APPENDICES

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Subsidiaries included in the Group

Name of company	Principal Activity	Country of incorporation	Direct and indirect holdings %
1 Westminster Bridge Plaza Management Company Limited	Hotel operation	United Kingdom	50.4
A40 Data Centre B.V.	Holding company	Netherlands	100
A40 Office B.V.	Holding company	Netherlands	100
ABK Hotel Holding B.V.	Holding company	Netherlands	52.93
ACO Hotel Holding B.V.	Holding company	Netherlands	52.93
Amalfa Investments B.V.	Holding company	Netherlands	100
Amsterdam Airport Hotel Holding B.V. (formerly known as Victoria Schiphol Holding B.V.)	Holding company	Netherlands	100
Amsterdam Airport Hotel Operator B.V.	Holding company	Netherlands	100
Arena 88 Rooms doo Beograd-Palilula	Hotel operation	Serbia	100
Arena 88 Rooms Holding doo Beograd-Palilula	Holding company	Serbia	100
Arena Hospitality Group d.d.	Hotel operation	Croatia	52.93
Arena Hospitality Management d.o.o.	Management	Croatia	52.93
art'amsterdam Hotel Operator B.V.	Hotel operation	Netherlands	100
art'otel berlin city center west GmbH	Hotel operation	Germany	52.93
art'otel dresden/park plaza betriebsgesellschaft mbH (in liquidation)	Hotel operation	Germany	100
art'otel köln betriebsgesellschaft mbH	Hotel operation	Germany	52.93
Artotel (I.L.) Management Services Limited	Holding company	Israel	100
Aspirations (Limited)	Holding company	Guernsey	100
Bora B.V. (formerly known as WH/DMREF Bora B.V.)	Holding company	Netherlands	100
Bora Finco B.V.	Holding company	Netherlands	100
County Hall Hotel Holdings B.V. (formerly known as PPHE Arena Holding B.V.)	Holding company	Netherlands	100
Dvadeset devet d.o.o. (in liquidation)	Holding company	Croatia	100
Dvadeset Osam d.o.o. (formerly known as W2005/Dvadeset Osam d.o.o.)	Holding company	Croatia	100
Eindhoven Hotel Operator B.V.	Hotel operation	Netherlands	100
Euro Sea Hotels N.V.	Holding company	Netherlands	100
Germany Real Estate B.V.	Holding company	Netherlands	52.93
Golden Wall Investments Limited	Finance company	British Virgin Islands	100
Grandis Netherlands Holdings B.V.	Holding company	Netherlands	100
Hotel Club Construction B.V. (formerly Hotel Maastricht B.V.)	Holding company	Netherlands	100
Hotel Leeds Holding B.V.	Holding company	Netherlands	100
Hotel Nottingham Holding B.V.	Holding company	Netherlands	100
Leeds Hotel Operator Limited (formerly Nottingham Park Plaza Hotel Operator Limited)	Hotel operation	United Kingdom	100
Leno Investment Limited	Holding company	Guernsey	100
Marlbray Limited	Holding company	United Kingdom	100
Mazurana d.o.o.	Holding company	Croatia	52.93
North Lambeth Holding B.V.	Holding company	Netherlands	100
Nottingham Hotel Operator Limited	Hotel operation	United Kingdom	100
Oaks Restaurant Operator Limited	Hotel operation	United Kingdom	100
Park Plaza Berlin Hotelbetriebsgesellschaft mbH	Hotel operation	Germany	100
Park Plaza Germany Holdings GmbH	Holding company	Germany	52.93

Name of company	Principal Activity	Country of incorporation	Direct and indirect holdings %
Park Plaza Hospitality Services (UK) Limited	Hotel operation	United Kingdom	100
Park Plaza Hotels (Germany) Services GmbH	Hotel operation	Germany	100
Park Plaza Hotels (UK) Limited	Holding company	United Kingdom	100
Park Plaza Hotels (UK) Services Limited	Management	United Kingdom	100
Park Plaza Hotels Berlin Wallstrasse GmbH	Hotel operation	Germany	52.93
Park Plaza Hotels Europe (Germany) B.V.	Holding company	Netherlands	100
Park Plaza Hotels Europe B.V.	Management	Netherlands	100
Park Plaza Hotels Europe Holdings B.V.	Holding company	Netherlands	100
Park Plaza Nürnberg GmbH	Hotel operation	Germany	52.93
Park Royal Hotel Holding B.V. (formerly known as Club A40 Holding B.V.)	Holding company	Netherlands	100
Park Royal Hotel Operator Limited (formerly known as Club A40 Hotel Operator Limited)	Holding company	United Kingdom	100
Parkvondel Hotel Holding B.V.	Holding company	Netherlands	100
Parkvondel Hotel Operator B.V.	Hotel operation	Netherlands	100
Parkvondel Hotel Real Estate B.V.	Hotel owning company	Netherlands	100
PPHE Art Holding B.V.	Holding company	Netherlands	100
PPHE Coop B.V.	Holding company	Netherlands	100
PPHE Germany B.V.	Holding company	Netherlands	100
PPHE Germany Holdings GmbH	Holding company	Germany	52.93
PPHE Headco Limited	Holding company	United Kingdom	100
PPHE Histria Charter d.o.o. (in liquidation)	Holding company	Croatia	100
PPHE Holdings Limited	Holding company	United Kingdom	100
PPHE Hotel Group Limited	Holding company	Guernsey	100
PPHE Hoxton B.V.	Holding company	Netherlands	100
PPHE Living Limited	Holding company	United Kingdom	100
PPHE Management (Croatia) B.V.	Holding company	Netherlands	100
PPHE Netherlands B.V. (formerly Maastricht Hotel Holding B.V.)	Holding company	Netherlands	100
PPHE NL Region B.V.	Holding company	Netherlands	100
PPHE Nürnberg Operator Hotelbetriebsgesellschaft mbH	Hotel operation	Germany	52.93
PPHE Parent Hoxton Holdings Limited (formerly known as Apex Holdings (UK) Limited)	Holding company	Guernsey	100
PPHE Support Services Limited	Hotel operation	United Kingdom	100
PPHE UK Holding B.V. (formerly Club Euro Hotels B.V.)	Holding company	Netherlands	100
PPHE USA B.V.	Holding company	Netherlands	100
PPHE USA Holding B.V.	Holding company	Netherlands	100
PPHE West 29th Street USA Inc	Holding company	Delaware	100
PPWL Parent B.V.	Holding company	Netherlands	100
Riverbank Hotel Holding B.V.	Holding company	Netherlands	100
Riverbank Hotel Operator Limited	Hotel operation	United Kingdom	100
Schiphol Victoria Hotel C.V.	Hotel operation	Netherlands	100
Sherlock Holmes Hotel Shop Limited	Hotel operation	United Kingdom	100
Sherlock Holmes Park Plaza Limited	Hotel operation	United Kingdom	100
Suf Holding B.V.	Holding company	Netherlands	100
Sugarhill Investments B.V.	Holding company	Netherlands	52.93
SW Szállodaüzemeltetö Kft	Hotel operation	Hungary	52.93
The Mandarin Hotel B.V.	Hotel operation	Netherlands	100
TOZI Restaurant Operator Limited	Holding operation	United Kingdom	100
Ulika d.o.o.	Holding company	Croatia	52.93
Utrecht Hotel Holding B.V.	Holding company	Netherlands	100
Utrecht Hotel Operator B.V.	Hotel operation	Netherlands	100

Name of company	Principal Activity	Country of incorporation	Direct and indirect holdings %
Utrecht Victoria Hotel C.V.	Hotel operation	Netherlands	100
Victoria Amsterdam Hotel Holding B.V.	Holding company	Netherlands	100
Victoria Amsterdam Hotel Operator B.V.	Holding company	Netherlands	100
Victoria Hotel & Restaurant Investment B.V.	Holding company	Netherlands	100
Victoria Hotel C.V.	Hotel operation	Netherlands	100
Victoria London (Real Estate) B.V.	Holding company	Netherlands	100
Victoria London B.V. (formerly known as Club Luton Hotel Holding B.V. and Club Ealing Hotel Holding B.V.)	Holding company	Netherlands	100
Victoria Monument B.V.	Holding company	Netherlands	100
Victoria Park Plaza Operator Limited	Hotel operation	United Kingdom	100
Victory Enterprises I B.V.	Holding company	Netherlands	100
Victory Enterprises II B.V.	Holding company	Netherlands	100
W29 Development LLC	Holding company	Delaware	100
W29 Owner LLC	Holding company	Delaware	100
Waterloo Hotel Holding B.V. (formerly known as Hercules House Holding B.V.)	Holding company	Netherlands	100
Waterloo Hotel Operator Limited (formerly known as Hercules House Operator Limited)	Hotel operation	United Kingdom	100
Westminster Bridge Hotel Operator Limited	Hotel operation	United Kingdom	100
Westminster Bridge London (Real Estate) B.V.	Holding company	Netherlands	100
Westminster Bridge London B.V.	Holding company	Netherlands	100

Jointly controlled entities

Name of company	Principal Activity	Country of incorporation	Proportion of ownership interest %
art'otel berlin mitte/Park Plaza Betriebsgesellschaft mbH[1]	Hotel operation	Germany	50
Park Plaza Betriebsgesellschaft mbH[1]	Hotel operation	Germany	50
PPBK Hotel Holding B.V. (formerly known as ABK Hotel Holding B.V.)[1]	Holding company	Netherlands	50
ABM Hotel Holding B.V.[1]	Holding company	Netherlands	50

1 Indirectly held through Arena Hospitality Group d.d.

Current renovation, repositioning and pipeline projects

Project	Location	Scope	Status
Hotel Brioni, Pula	Istria, Croatia	Repositioning	Expected to be completed 2021
art'otel london battersea power station*	London, United Kingdom	New development	Expected to open 2022
art'otel london hoxton	London, United Kingdom	New development	Expected to open 2024
art'otel in New York City	New York City, United States	New development	Temporarily paused
88 Rooms Hotel	Belgrade, Serbia	Repositioning	In design process
Hotel Zagreb	Zagreb, Croatia	New development	Expected to open 2022
Guest House Hotel Riviera, Pula	Istria, Croatia	Repositioning	In design process
Development site Park Royal London	London, United Kingdom	New development	In design process
Development site Westminster Bridge Road, London	London, United Kingdom	New development	Planning submitted

* Management contract.

Adjusted	Excluding the effect of exceptional items and any relevant tax.
Annual General Meeting	The Annual General Meeting of PPHE Hotel Group on 19 May 2021.
Annual Report and Accounts	The Annual Report of PPHE Hotel Group in relation to the year ended 31 December 2021.
Arena Campsites	Are located in eight beachfront sites across the southern coast of Istria, Croatia. They operate under the Arena Hospitality Group umbrella, of which PPHE Hotel Group is a controlling shareholder. www.arenacampsites.com
Arena Hospitality Group	Arena Hospitality Group is also referred to as Arena and is one of the most dynamic hospitality groups in Central and Eastern Europe, currently offering a portfolio of 27 owned, co-owned, leased and managed properties with more than 10,000 rooms and accommodation units in Croatia, Germany, Hungary, and Serbia. PPHE Hotel Group has a controlling ownership interest in Arena Hospitality Group. www.arenahospitalitygroup.com.
Arena Hotels & Apartments	A collection of hotels and self-catering apartment complexes offering relaxed and comfortable accommodation within beachfront locations across the historical settings of Pula and Medulin in Istria, Croatia. They operate under the Arena Hospitality Group umbrella, of which PPHE Hotel Group is a controlling shareholder.
ARR	Average room rate. Total room revenue divided by number of rooms sold.
art'otel®	A lifestyle collection of hotels that fuse exceptional architectural style with art-inspired interiors, located in cosmopolitan centres across Europe. PPHE Hotel Group is owner of the art'otel® brand worldwide. www.artotels.com
Basic earnings per ordinary share	Profit available for PPHE Hotel Group equity holders divided by the weighted average number of ordinary shares in issue during the year.
Board	Eli Papouchado (Non-Executive Chairman), Yoav Papouchado (Alternate Director), Boris Ivesha (President & Chief Executive Officer), Daniel Kos (Chief Financial Officer & Executive Director), Kevin McAuliffe (Non-Executive Deputy Chairman), Nigel Jones (Non-Executive Director and Senior Independent Director, retired from the Board on 19 May 2020). Dawn Morgan (Non-Executive Director, retired from the Board on 30 September 2020), Kenneth Bradley (Non-Executive Director), Stephanie Coxon (Non-Executive Director).
Capital expenditure	Purchases of property, plant and equipment, intangible assets, associate and joint venture investments, and other financial assets.
Company	PPHE Hotel Group Limited, a Guernsey incorporated Company listed on the Main Market of the London Stock Exchange plc.
Compound Annual Growth Rate – CAGR	Annual growth rate over a period of years, calculated on the basis that each year's growth is compounded, that is, the amount of growth in each year is included in the following year's number, which in turn grows further.
Comprehensive income per share	Comprehensive income attributable to the parent company's shareholders divided by the weighted average number of outstanding shares after dilution at the end of the period.
Derivatives	Financial instruments used to reduce risk, the price of which is derived from an underlying asset, index or rate.
Direct channels	Methods of booking hotel rooms (both digital and voice) not involving third party intermediaries.
Dividend per share	Proposed/approved dividend for the year divided by the weighted average number of outstanding shares after dilution at the end of the period.
Earnings (loss) per share	Basic earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.
EBIT	Earnings before interest and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EBITDA margin	EBITDA divided by total revenue.
EBITDAR	Revenue less cost of revenues (operating expenses). EBITDAR, together with EBITDA, is used as a key management indicator.
Employee engagement survey	We ask our team members to participate in a survey to measure employee engagement.
EPRA (European Public Real Estate Association)	The EPRA reporting metrics analyse performance (value, profit and cash flow) given that we have full ownership of the majority of our properties.
EPRA Net asset value (EPRA NAV)	Recognised equity, attributable to the parent company's shareholders, including reversal of derivatives, deferred tax asset for derivatives, deferred tax liabilities related to the properties and revaluation of operating properties.
EPRA Net Re-instatement Value (EPRA NRV)	Recognised equity, attributable to the parent company's shareholders on a fully diluted basis adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.
EPRA Net Tangible Assets (EPRA NTA)	Recognised equity, attributable to the parent company's shareholders on a fully diluted basis adjusted to include properties and other investment interests at fair value and to exclude intangible assets and certain items not expected to crystallise based on the Company's expectations for investment property disposals in the future.
EPRA Net Disposal Value (EPRA NDV)	Recognised equity, attributable to the parent company's shareholders on a fully diluted basis adjusted to include properties, other investment interests, deferred tax, financial instruments and fixed interest rate debt at disposal value.
EPS	Earnings per share.
Equity/assets ratio	Recognised equity as a percentage of total assets.
EU	The European Union.
Euro/€	The currency of the European Economic and Monetary Union.
Exceptional items	Items that are disclosed separately because of their size or nature.
Exchange rates	The exchange rates used were obtained from the local national banks website.
FF&E	Furniture, fittings and equipment.

Franchise	A form of business organisation in which a company which already has a successful product or service (the franchisor) enters into a continuing contractual relationship with other businesses (franchisees) operating under the franchisor's trade name and usually with the franchisor's guidance, in exchange for a fee.
Franchisee	An owner who uses a brand under licence from PPHE Hotel Group.
Goodwill	The difference between the consideration given for a business and the total of the fair values of the separable assets and liabilities comprising that business.
GRS	Guest Rating Score is the online reputation score used by ReviewPro – an industry leader in guest intelligence solutions.
Guernsey	The Island of Guernsey.
Hotel revenue	Revenue from all revenue-generating activity undertaken by managed and owned and leased hotels, including room nights, food and beverage sales.
Income units	Cash flows derived from the net income generated by rooms in Park Plaza Westminster Bridge London, which have been sold to private investors.
Like-for-like	Results achieved through operations that are comparable with the operations of the previous year. Current years' reported results are adjusted to have an equivalent comparison with previous years' results in the same period, with similar seasonality and the same set of hotels.
Like-for-like hotels including renovation	Like-for-like hotels plus hotels under renovation during the current and/or previous financial year compared.
Loan-to-value ratio	Interest-bearing liabilities after deducting cash and cash equivalents as a percentage of the properties' market value at the end of the period.
LSE	London Stock Exchange. PPHE Hotel Group's shares are traded on the Premium Listing segment of the Official List of the UK Listing Authority.
Market capitalisation	The value attributed to a listed Company by multiplying its share price by the number of shares in issue.
Market share	The amount of total sales of an item or group of products by a company in a particular market. It is often shown as a percentage, and is a good indicator of performance compared to competitors in the same market sector.
Net debt	Borrowings less cash and cash equivalents, including the exchange element of the fair value of currency swaps hedging the borrowings.
Number of properties	Number of owned hotel properties at the end of the period.
Number of rooms	Number of rooms in owned hotel properties at the end of the period.
Occupancy	Total occupied rooms divided by net available rooms or RevPAR divided by ARR.
Online travel agent	Online companies whose websites permit consumers to book various travel related services directly over the Internet.
parkplaza.com	Brand website for Park Plaza® Hotels & Resorts.
Park Plaza hotel	One hotel from the Park Plaza® Hotels & Resorts brand.
Park Plaza® Hotels & Resorts	Upper upscale hotel brand. PPHE Hotel Group is master franchisee of the Park Plaza® Hotels & Resorts brand owned by Radisson Hotel Group. PPHE Hotel Group has the exclusive right to develop the brand across 56 countries in Europe, the Middle East and Africa. parkplaza.com
Pipeline	Hotels/rooms that will enter the PPHE Hotel Group system at a future date.
Pound Sterling/£	The currency of the United Kingdom.
PPHE Hotel Group	PPHE Hotel Group is also referred to as the Group and is an international hospitality real estate group. Through its subsidiaries, jointly controlled entities and associates, the Group owns, co-owns, develops, leases, operates and franchises hospitality real estate. The Group's primary focus is full-service upscale, upper upscale and lifestyle hotels in major gateway cities and regional centres, as well as hotel, resort and campsite properties in select resort destinations.
Radisson Hotel Group	Created in early 2018, one of the largest hotel companies in the world. Hotel brands owned by Radisson Hotel Group are Radisson Collection™, Radisson Blu®, Radisson®, Radisson RED®, Radisson Individuals, Park Plaza®, Park Inn® by Radisson, Country Inn & Suites® by Radisson, and Prizeotel. The portfolio of Radisson Hotel Group includes more than 1,400 hotels in operation and under development, located across 115 countries and territories, operating under global hotel brands. Jin Jiang International Holdings is the majority shareholder of Radisson Hotel Group. www.radissonhotelgroup.com
Radisson Rewards™	The hotel rewards programme of Radisson Hotel Group, including Park Plaza® Hotels & Resorts and art'otel®. The programme is owned by Radisson Hotel Group. Gold Points® is the name of the currency earned through the Radisson Rewards™ programme. www.radissonrewards.com
Responsible Business	PPHE Hotel Group's Responsible Business strategy is a genuine, active and responsible commitment to our environment and society.
RevPAR	Revenue per available room. Total rooms revenue divided by net available rooms or ARR x occupancy %.
Room count	Number of rooms franchised, managed, owned or leased by PPHE Hotel Group.
Subsidiary	A company over which the Group exercises control.
Weighted average number of shares outstanding during the year	The weighted average number of outstanding shares taking into account changes in the number of shares outstanding during the year.
Working capital	The sum of inventories, receivables and payables of a trading nature, excluding financing and taxation items.

Directors

Eli Papouchado	(Non-Executive Chairman)
Yoav Papouchado	(Alternate Director)
Boris Ivesha	(President & Chief Executive Officer)
Daniel Kos	(Chief Financial Officer & Executive Director)
Kevin McAuliffe	(Non-Executive Deputy Chairman)
Nigel Keen	(Non-Executive Director & Senior Independent Director)
Kenneth Bradley	(Non-Executive Director)
Stephanie Coxon	(Non-Executive Director)
Nigel Jones	(Non-Executive Director & Senior Independent Director, retired from the Board on 19 May 2020)
Dawn Morgan	(Non-Executive Director, retired from the Board on 30 September 2020)

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Inbar Zilberman	(Chief Corporate & Legal Officer)
Robert Henke	(Executive Vice President Commercial Affairs)

Administrator

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Channel Islands

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Israel

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Channel Islands

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Registrar

Link Market Services (Guernsey) Limited
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Company Secretary

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London EC2R 8HP
United Kingdom

Public relations

Hudson Sandler LLP
25 Charterhouse Square
London EC1M 6AE
United Kingdom

Useful links

Company websites

pphe.com
arenahospitalitygroup.com

For reservations

parkplaza.com
artotels.com
arenahotels.com
arenacampsites.com

Strategic partner

radissonhotelgroup.com

Forward-looking statements

This document may contain certain "forward-looking statements" which reflect the Company's and/or the Directors' current views with respect to financial performance, business strategy and future plans, both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward-looking nature. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. Any forward-looking statements in this document reflect the Group's current views with respect to future events and are subject to risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy. These forward-looking statements speak only as of the date on which they are made. Subject to any legal or regulatory obligations, the Company undertakes no obligation publicly to update or review or revise any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Nothing in this document should be considered as a profit forecast."

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