ANNUAL REPORT
& ACCOUNTS 2022

BUILDING

MOMENTUM
VALUE &
PARTNERSHIPS

pphe HOTEL GROUP

PARK PLAZA

art'otel

HOLMES HOTEL LONDON

ARENA HOTELS & APARTMENTS

ARENA CAMPSITES

PARTNER BRAND

RADISSON COLLECTION

FINANCIAL KPIs[1]

Total revenue
£330.1m
2021: £141.4m
2019 (pre-COVID): £357.7m

Normalised profit before tax
£8.3m
2021: £(47.5)m
2019 (pre-COVID): £40.7m

Adjusted EPRA EPS
50p
2021: (44)p
2019 (pre-COVID): 128p

Property value
£2.0bn
2021: £1.8bn
2019 (pre-COVID): £1.7bn

EBITDA
£94.6m
2021: £25.1m
2019 (pre-COVID): £122.9m

EPRA NRV per share
£25.17
2021: £22.15
2019 (pre-COVID): £25.93

OPERATING KPIs[1]

Occupancy
60.0%
2021: 30.7%
2019 (pre-COVID): 80.6%

Average room rate
£160.4
2021: £117.0
2019 (pre-COVID): £128.5

RevPAR
£96.2
2021: £35.9
2019 (pre-COVID): £103.6

FRONT COVER:
- Rooftop pool art'otel London Battersea Power Station
- Exterior Grand Hotel Brioni Pula, a Radisson Collection Hotel

1 Details of Alternative Performance Measures (APMs) can be found in the APM glossary on page 203.

HIGHLIGHTS

RESPONSIBLE BUSINESS

Our People · Our Places · Our Planet

- Engaging with our stakeholders
- Data-driven energy saving
- Taking steps to net zero
- Safeguarding the natural world
- Diversity in the workplace
- Attracting and retaining talent
- Developing our people
- Supporting local communities
- Creating opportunities

Learn more – See our Responsible Business strategy on pages 56 to 69.

BUSINESS HIGHLIGHTS

- Strong recovery, exceeding board expectations, revenue at 92.3% and EBITDA at 77.0% of 2019 (pre-COVID)
- Rate-led strategy with average room rates in all regions exceeding levels achieved pre-pandemic
- Reported EPRA NRV materially increased to £25.17 per share
- Extended long-standing partnership with Radisson Hotel Group, allowing PPHE and Radisson to leverage their respective brand strengths
- Opened two premium hotels: Grand Hotel Brioni Pula, a Radisson Collection Hotel; and art'otel London Battersea Power Station
- Progressed £200m+ development pipeline including Zagreb (2023), Rome (2024) and London Hoxton (2024)
- Recommenced shareholder returns programme with reinstating dividend and launch of a £3.7 million share buy-back programme
- Booking momentum has continued into February, which supports the Board's confidence in the outlook

POST BALANCE SHEET EVENTS

- Announced European Hospitality Fund of up to €250m to be established to acquire hotel properties, which will be managed by the Group's hospitality management platform
- PPHE will contribute the art'otel Rome as a seed asset into this Fund
- Final dividend proposed at 12p per share which, including a 3p interim dividend paid makes the total dividend over 2022 15p per share

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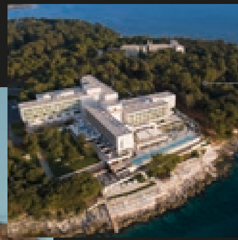
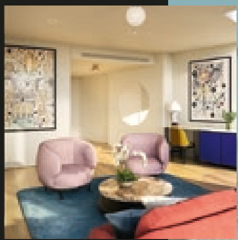
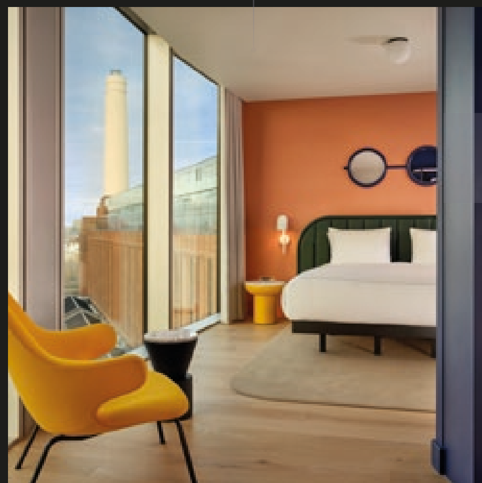
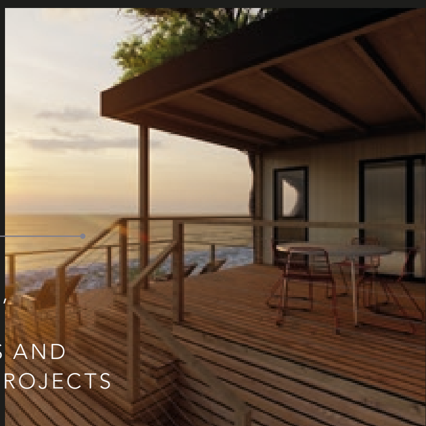
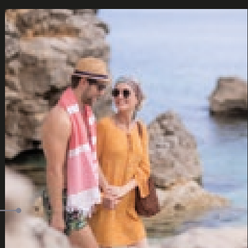


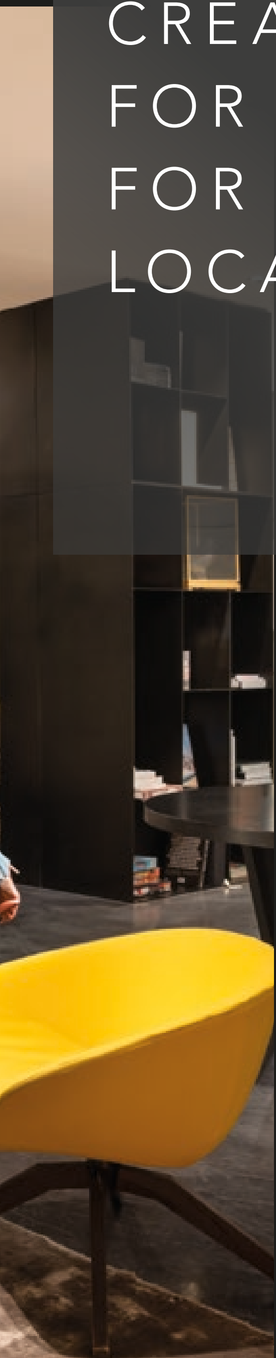








ABOUT US



OUR PURPOSE

CREATING VALUABLE MEMORIES FOR OUR GUESTS AND VALUE FOR OUR ASSETS, PEOPLE AND LOCAL COMMUNITIES.

OUR VISION

To deliver a best-in-class performance through building further scale and depth in our real estate portfolio and growing the platform with our integrated **'Buy, Build, Operate'** model.

WHO WE ARE

We are an international hospitality group, with a strong prime real estate portfolio consisting of 49 properties under operation in eight 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. We recognise, and progressively pursue, the opportunities for our our assets to reach their full potential. We delight our guests every day, through engaging service and quality products in inviting places.

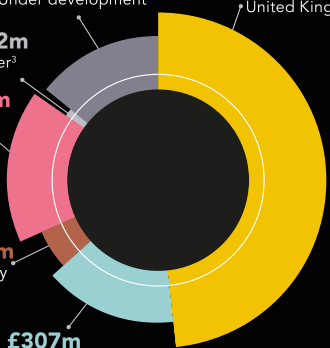
HOW WE DO IT

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.

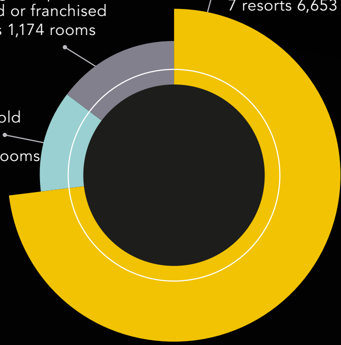
AT A GLANCE

WE ARE AN INTEGRATED HOSPITALITY REAL ESTATE GROUP WITH A £2.0BN PORTFOLIO OF PRIMARILY PRIME FREEHOLD AND LONG-LEASEHOLD ASSETS IN EUROPE.

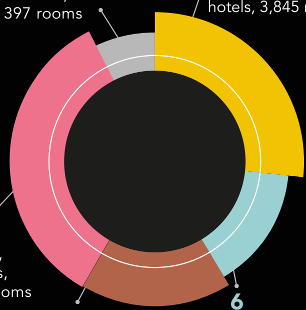
Value split by geography[1]
(Excludes managed, operated, leased, franchised and unconsolidated hotels)



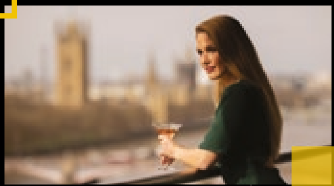
Hotels and resorts by ownership type
(Includes franchises, excludes campsites)



Hotels and resorts by geography
(Includes franchises, excludes campsites and pipeline)



1 The fair values were determined on the basis of independent external valuations prepared in December 2022.
2 Properties under development include: New York, art'otel London Hoxton (London), Westminster Bridge Road (London), Londra & Cargill Hotel (Rome) and Zagreb.
3 Other include the 88 Rooms Hotel in Belgrade, Serbia, the FRANZ Ferdinand Mountain Resort in Nassfeld, Austria and the leased hotel in Budapest, Hungary.



LONDON

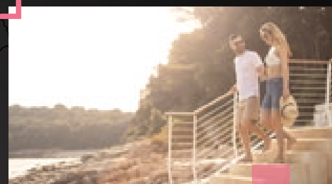
With eight hotels in operation and further projects in our pipeline, London is our most important single market.

AMSTERDAM

Three of our hotels are located in the heart of the Dutch capital, with a fourth property near Amsterdam Schiphol Airport.

BERLIN

Our portfolio of four hotels in vibrant Berlin consists of two hotels in the East and two in the West.

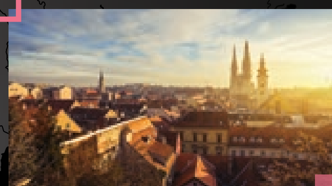


PULA

Our 21-strong portfolio in Pula consists of hotels, resorts, glamping and camping properties.

ROME

Earmarked for a 2024 opening, we have made great progress in developing Italy's first art'otel.



ZAGREB

2023 will mark the opening of our brand new art'otel in the centre of Croatia's capital.

8
Countries

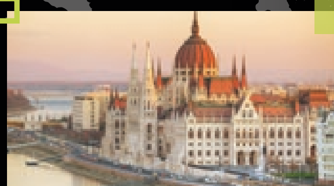
49
Total properties

9,400
Total rooms

5,800
Campsite pitches

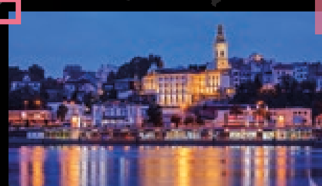
NASSFELD

The expansion of the leisure facilities at our first mountain resort will increase its appeal for year-round tourism (acquired in 2021).



BUDAPEST

Located on the banks of the Danube, our hotel offers unrivalled views and benefits from newly renovated public areas.



BELGRADE

Located right in the city centre, our hotel in Serbia's capital is earmarked for an exciting transformation (acquired in 2020).

ATTRACTIVE BRANDS

AS INDEPENDENT PROPERTY OWNERS, OUR APPROACH IS TO SELECT THE BRAND FOR EACH OF OUR PROPERTIES WHICH WE BELIEVE WILL GENERATE MOST VALUE. WE WORK WITH A NUMBER OF DISTINCT AND APPEALING BRANDS FROM PREMIUM LIFESTYLE TO UPPER UPSCALE AND UPSCALE.

PARK PLAZA

An upper upscale, contemporary hotel brand featuring individually designed hotels in vibrant city centre locations and select resort destinations. Renowned for creating memorable moments, Park Plaza caters to both leisure and business travellers with stylish guest rooms and versatile meeting facilities which are perfectly complemented by award-winning restaurants and bars.

Feel the authentic
parkplaza.com

HOTELS

CAPITAL CITIES / SECONDARY CITIES / CITY CENTRE

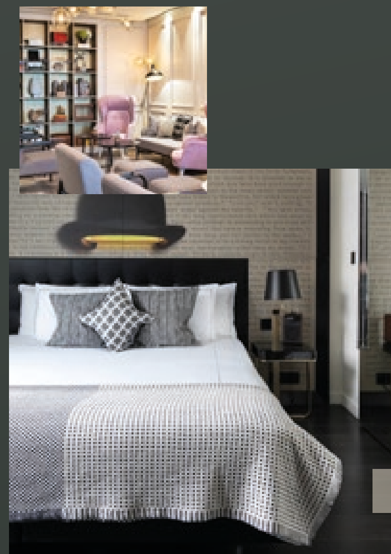
ART'OTEL

A place to dream and be inspired, art'otel is a hotel like no other. A contemporary collection of upper upscale, lifestyle hotels, each inspired by a signature artist, forming a cultural, gastronomic and social hub in the most creative areas of the most interesting cities, attracting international, domestic and local guests. art'otel is an arts and premium lifestyle hotel devoted to creating and presenting original work.

Be bold. Be creative. Be original.
artotel.com

HOTELS

CAPITAL CITIES / SECONDARY CITIES / CITY CENTRE



HOLMES HOTEL LONDON

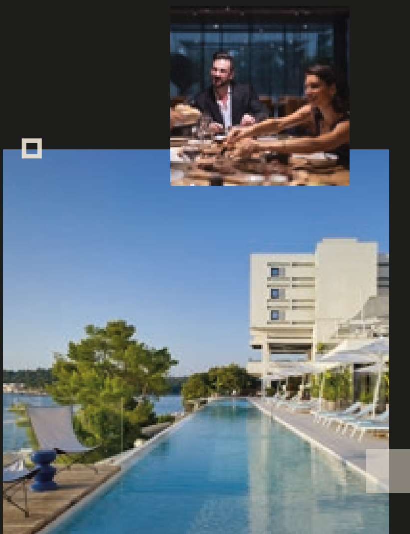
This award-winning premium boutique hotel is located on iconic Chiltern Street and is surrounded by fashion boutiques, cafés and restaurants. The hotel has been inspired by Baker Street's most famous resident, Sherlock Holmes, and is a witty blend of heritage and playfulness, filled with a stylish mix of antiques, curiosities and artefacts that are bound to intrigue even the busiest of guests.

For curious minds
holmeshotel.com

HOTEL

BOUTIQUE LUXURY

PARTNER BRAND



RADISSON COLLECTION

Our extended partnership with Radisson Hotel Group enabled us to launch the Grand Hotel Brioni Pula, a Radisson Collection Hotel, in May 2022. Radisson Collection is a luxury lifestyle collection of iconic properties located in unique locations. While the character of each hotel feels authentic to its location, all of them offer the ultimate template for contemporary living, united by bespoke design and exceptional experiences across dining, fitness, wellness and sustainability.

Welcome to the exceptional
radissonhotels.com

HOTEL

LUXURY INSPIRED

ARENA HOTELS & APARTMENTS

Arena Hotels & Apartments is a collection of hotels and self-catering apartment complexes offering relaxed and comfortable accommodation within beachfront locations across the historic settings of Pula and Medulin in Istria, Croatia. Arena Hotels & Apartments features contemporary and warm design/interiors accompanied by welcoming and friendly service, offering a holiday full of opportunities for exploration and relaxation complemented by a food and drink offering with a touch of local flavour.

arenahotels.com

HOTELS

HOTELS / RESORTS
/ SELF-CATERING APARTMENTS

ARENA CAMPSITES

Arena Campsites are located in exclusive beachfront sites across the southern coast of Istria, Croatia. Situated within close proximity of the historic towns of Pula and Medulin, each campsite provides a distinctive offering and relaxed environment from which guests can experience Istria's areas of natural beauty and enjoy outdoor activities all year round.

arenacampsites.com

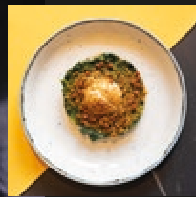
LEISURE & OUTDOOR

LUXURY MOBILE HOMES
/ CAMPING & GLAMPING

ATTRACTIVE BRANDS *continued*

Restaurants

ARCA
AMSTERDAM



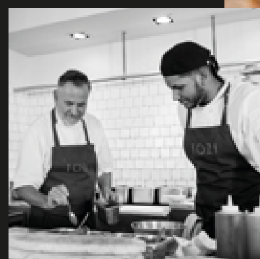
Award-winning two Michelin starred Portuguese chef Henrique Sá Pessoa, recently named in the top 100 Best Chefs of the World, brings a relaxed and approachable Portuguese sharing plates concept that celebrates the best of Portuguese cuisine with Asian influences and modern twists on traditional dishes, all paired with impressive cocktails.

arcaamsterdam.com

JOIA
BATTERSEA

A fabulous new concept created by two Michelin star Portuguese chef Henrique Sá Pessoa is located on the 14th, 15th and 16th floors of art'otel London Battersea Power Station. JOIA, meaning 'jewel' in Portuguese, represents chef Henrique's London debut.

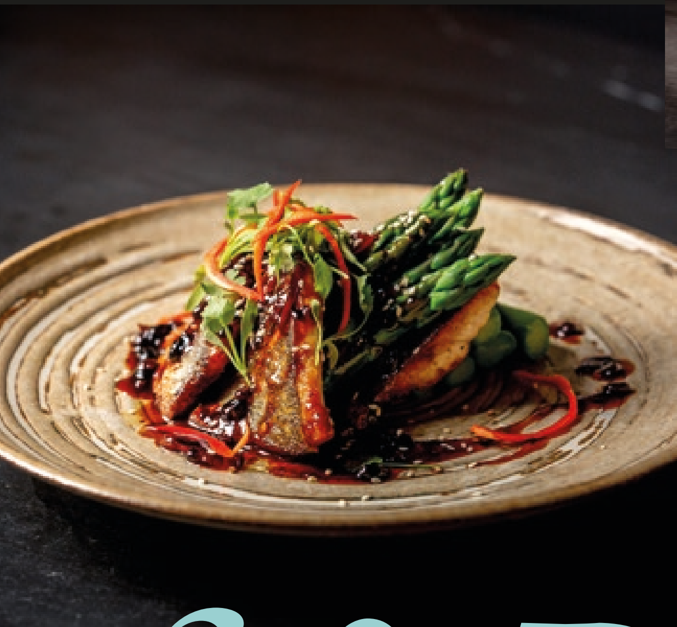
joiabattersea.com

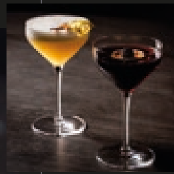


TOZI
RESTAURANT & BAR

TOZI is a Venetian-Italian restaurant and bar in Battersea Power Station, London Victoria and Amsterdam, serving cicchetti (small sharing plates) designed to be enjoyed amongst friends and family.

tozirestaurantsandbars.com





CHINO LATINO®

The award-winning Chino Latino® in London, Nottingham and Leeds remain masters in their craft with their delicate dishes highlighting the best of Pan-Asia's culinary offering, spruced up with Latino flourishes from Peruvian cuisine.

chinolatino.eu

& Bars

CARSTENS
AMSTERDAM

Carstens Brasserie reopened in September 2022 and celebrates the most sustainable and seasonal Dutch ingredients. Executive Chef Jeroen Bruinsma has created an inspiring menu, with each dish having a story to tell, a local supplier to reveal and an interactive tableside moment to be shared.

carstensbrasserie.nl

> *ARCA in Amsterdam has won a number of accolades since opening and we are confident JOIA will be London's hottest new restaurant.*

Jamie Kerr
Executive Vice President,
Restaurant & Bars

A SELECTION OF SOME OF OUR RESTAURANT AND BAR BRANDS

JOIA
TOZI
ARCA AMSTERDAM
CARSTENS AMSTERDAM
CHINO LATINO®
THE KITCHEN AT HOLMES
BA BEEF CLUB
CARSTENS
ICHI
PRIMO
106 BAKER ST.CO.UK

OUR INVESTMENT CASE

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.

01

THE BUSINESS MODEL

INTEGRATED DEVELOPER, OWNER AND OPERATOR

- Real estate sits at the heart of our strategy
- Our "buy, build, operate" business model provides control, exposure and returns across the entire hospitality real estate value chain
- Strong preference for assets with a development and/or repositioning potential
- Diversified real estate portfolio focused on European gateway cities and select resort locations

02

FOCUS ON EQUITY VALUE

UNIQUE APPROACH TO CAPITAL STRUCTURE

- Driving NAV growth through development, property repositioning and operational excellence
- Growth driven by capital recycling through raising funds (both third party equity and debt) at asset level, without diluting PPHE shareholders
- Multiple sources of capital providing a hedge against current market fluctuations
- Maintain strong banking relationships throughout economic cycles

03

HOSPITALITY MANAGEMENT PLATFORM

ALL DISCIPLINES UNDER ONE ROOF

- Scalable hospitality management platform with growth potential through managing fully-, jointly- and third party owned properties
- Exclusive partnership with Radisson Hotel Group, providing benefits of scale, access to powerful brands, connection to worldwide reservation system and loyalty programme
- All hospitality management disciplines in-house, with strong operating credentials
- Long term management agreements, providing base fee income with performance-based incentive mechanisms

04

OUR BOARD AND MANAGEMENT TEAM

TRACK RECORD AND SHAREHOLDER ALIGNMENT

- A multi-disciplined Board and a loyal executive team with a strong track record
- Entrepreneurial mindset is the cornerstone of the Company's DNA
- Strong shareholder alignment with founder Board members holding 43% of the shares (true custodians of shareholder capital)

CHAIRMAN'S STATEMENT

> *"Our world-class teams continue to adapt and perform at the top of their game, doing everything they can to drive the business forward"*

ELI PAPOUCHADO
CHAIRMAN

A YEAR OF STRONG RECOVERY

I write this year's annual Chairman's statement with a lot of pride in what our teams delivered and how we drove our recovery.

We have a very keen awareness of the ongoing external challenges that continue to face the business and wider sector. However, the strength of our teams and senior leadership remains the backbone of PPHE's ability to bounce back after difficult periods.

Our team members have continued to work extremely hard to adapt to changing circumstances, helping to ensure the longer-term success of the business. I have great gratitude for everything that they continue to do.

As a result of this resilience, and the strength of the Group's business model and customer proposition, PPHE has achieved significant recoveries across its key markets over the course of the last year, whenever and wherever restrictions were lifted. It was clear that there had been significant pent-up demand for both leisure and, increasingly, business related travel over the last two years, and our well-invested in hotels and appealing brands welcomed visitors back in their swathes as soon as it was possible and safe.

I am very proud of our post pandemic recovery, which has continued unabated, and in spite of the onset of a number of new external challenges that have arisen over recent months.

MITIGATING NEW EXTERNAL CHALLENGES

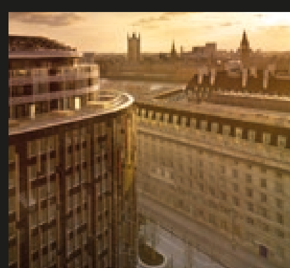
Over the last year, a variety of new and emerging macro pressures – both economic and geo-political – have become dominant issues for business, including ours. These have had clear and significant impacts on the supply chain, inflation and the labour markets, among other areas.

The last few years have shown how resilient the business is to external pressures through swift adaptation. We remain confident in the fundamental resilience of our business model and strategy, and our leading proposition. PPHE's ability to weather future challenges, including the possible onset of economic downturns and recessions which are predicted across some of our key markets in coming months and potentially years, is tried and tested.

ENSURING OUR FUTURE SUSTAINABILITY

Ensuring the long-term sustainability of the Group has also been a key focus. A number of initiatives have been deployed across our operations this year in order to help us minimise our impact on the environment and maximise our positive impact on our communities and people. Most notably, on the former, in joining the Zero Carbon Forum and Energy and Environment Alliance, we have taken crucial steps in the journey to reaching net zero.

The governance of the Group remains fundamental to its long-term success. We have continued to regularly engage with our investors and are focused on ensuring the Board's alignment with the priorities of shareholders.



BOARD CHANGES

Kevin McAuliffe, Non-Executive Deputy Chairman of the Group, informed the Board in November of his intention to gradually retire from business life. Consequently, he will not stand for re-election at the next Annual General Meeting and will resign from the Board at the conclusion of the meeting.

I would like to express my gratitude to Kevin for his dedication and service. He has been an integral and valued Board member since the Company's IPO in 2007.

Marcia Bakker was appointed as an independent Non-Executive Director on 6 December 2022. I am delighted to welcome Marcia to the Board. Her varied industry background in finance, recruitment and HR, in conjunction with her experience working with large and international corporations, will provide invaluable insights for the Board and support our overall long-term growth.

Marcia's appointment further demonstrates our ongoing commitment to strengthening the corporate governance of the Company for the benefit of all stakeholders.

SHAREHOLDER RETURNS

The Board understands the importance of returning capital to shareholders. The positive trading momentum and strong financial performance allowed us to reinstate dividend distributions to our shareholders with an interim dividend of 3 pence paid in October and a final dividend of 12 pence recommended, which will bring the total dividend to 15p per share. Going forward the Group will reinstate its' progressive dividend policy.

Furthermore, we commenced a share buy-back programme in June 2022, which is further evidence of our confidence in the Group's performance to date and the strength of its future development pipeline. Further details about dividends and the share buy-back programme are set out in the Financial Review.

LOOKING AHEAD WITH CONFIDENCE

Despite the external challenges that are ongoing, our confidence in the future is stronger than ever. The Group's development progress has been significant, and we have a strong pipeline of new properties and openings upcoming to further delight and excite visitors. This includes our expanded relationship with long-standing partner Radisson Hotel Group (more on pages 24 and 25) which will help bring further and new opportunities for enhanced value both to the business and, as a result, our shareholders.

While uncertainties undoubtedly remain, our world-class teams continue to adapt and perform at the top of their game, doing everything they can to drive the business forward and help to secure its future. The Group's progress made this year and our strengthened foundations through 2022 are fundamental in supporting our future prospects, and we look forward to continuing to deliver for all stakeholders over the coming years.

Eli Papouchado
Chairman

SUMMARY FROM THE BOARD

CORPORATE GOVERNANCE HIGHLIGHTS 2022

For ease of reference, here is an 'at a glance' summary of corporate governance in 2022. A full statement is from the non-executive deputy chairman is available on page 90.

Shareholder engagement

- The Annual General Meeting included an advisory vote on the Remuneration Report and Remuneration Policy for the first time.
- Feedback from representatives of independent shareholders promptly addressed to meet their requirements and expecations.
- Double materiality assessment of stakeholder Environmental, Social and Governance (ESG) priorities.

Remuneration

Transparency and accountability to shareholders is the Company's priority. Please see the Remuneration Committee report on pages 118 to 125 for information as to how stakeholder feedback has been incorporated into the report.

The Company seeks to demonstrate that remuneration is aligned to the values, culture and purpose set by the Board, and an appropriate reward for the creation of shareholder value.

Board succession

- Retirement of non-executive deputy chairman announced – effective from the 2023 Annual General Meeting. Responsibilities to be assigned to an independent non-executive director.
- New Non-Executive Director appointed in December 2022. Marcia Bakker was appointed as the candidate most suitable for identified Board skills requirements.
- Board Diversity Policy implementation of diversity requirements in the recruitment process successful.

Please see the Nomination Committee report on pages 106 to 110.

Workforce engagement

High satisfaction rating reported in twice-a-year pulse surveys. Quantitative and qualitative analysis of results, and input from this year's materiality assessment has allowed the Board to explore the causes, and set further goals.

Board evaluation

Evaluation of the Board's effectiveness is conducted annually. Once every three years, this is conducted externally, most recently by Independent Audit Limited in 2021. The recommendations made in the external review form part of the internal assessment we conducted this year. Please see the Corporate Governance section on pages 99 and 100 for more information.

Sustainability and ESG

The Company has a duty to create value for society as a whole. In order to ensure a co-ordinated and strategic approach, results of the materiality assessment were turned into strategic targets based on the priorities of our stakeholders. (See the Responsible Business section on page 68.)

Disclosure on the monitoring of the impact of our business on the community and the environment, and oversight transitional risks as a result of climate change is found in our TCFD report on pages 70 to 73.

Learn more – See our Responsible Business strategy on pages 56 to 69.

PRESIDENT & CEO'S REVIEW

> *We look forward to an exciting year ahead, further building on our already strong 2022 recovery performance.*

BORIS IVESHA
PRESIDENT & CHIEF EXECUTIVE OFFICER

> *Alongside the improving trading environment, we made excellent strategic progress on key positioning projects, with the opening of two highly impressive upper upscale properties; Grand Hotel Brioni Pula, a Radisson Collection Hotel and art'otel London Battersea Power Station.*

2022 IN REVIEW

Following the easing of restrictions across the majority of our key operating markets during Q1, the beginning of the year brought a return to positive booking momentum. This was initially the case across our UK portfolio, as the UK government was the first to lift any remaining restrictions, in the second half of January. In the Netherlands and Germany, these were lifted in February and March, and in Croatia in time for the summer season. Thereafter, all of our operating markets continued to recover as the months progressed, driven in particular by a strong rebound in leisure bookings. Our London hotels and Croatia assets (comprising hotels, resorts and premium campsites) performed extremely well during the summer season.

From midway through the year, corporate activity also started to increase, driven by rising demand for meetings and events spaces. This positive trend continued throughout the second half of the year.

Throughout the year, we maintained our disciplined rates-led strategy, which reflects the high quality and prime locations of our properties. As a result, pleasingly, average room rates returned to at least the levels achieved before the pandemic in 2019, and in many cases, rates exceeded these levels.

Alongside the improving trading environment, we made excellent strategic progress on key positioning projects, with the opening of two highly impressive upper upscale properties; Grand Hotel Brioni Pula, a Radisson Collection Hotel, and art'otel London Battersea Power Station. Completion of these major projects has added two new premium hotels to our portfolio, strengthening our foundations for long-term success. We also extended our long-term partnership with Radisson Hotel Group during the year, a move that supports our multi-brand approach for our properties.

We are extremely pleased with our 2022 performance, which was delivered despite a number of well-documented macro-economic challenges, including industry-wide inflationary pressures, the increased cost of energy and the ongoing tough labour market. We have invested in a number of initiatives to mitigate the impact of these on the Group, including through technology, increased automation and energy efficiency across our operations.

Full details on the Group's operational performance by region are set out in the Business Review on pages 44 to 55.

STRONG START OF FINANCIAL RECOVERY

Reported total revenue increased by 133.5% to £330.1 million (2021: £141.4 million) and EBITDA improved 277.4% to £94.6 million (2021: £25.1 million), resulting in an EBITDA margin of 28.7% (2021: 17.7%).

During the year, we saw a strong year-on-year recovery across all our key operating metrics, with average room rate exceeding levels achieved in 2019. Revenue growth was driven by both strong growth in rates as well as a good improvement in occupancy. The average room rate increased significantly to £160.4 (2021: £117.0) and was 24.8% higher than pre-pandemic levels (2019: £128.5). Occupancy recovered to 60.0% (74.4% of 2019 levels). As a result, RevPAR improved to £96.2 (2021: 35.9), 92.8% of 2019 levels.

The Group's financial position remains strong, with a total consolidated cash balance of £163.6 million at 31 December 2022 (31 December 2021: £136.8 million).

Our property portfolio was predominantly valued by Savills and Zane at £2.0 billion as at 31 December 2022. EPRA NRV per share increased by 13.6% to £25.17 per share (2021: £22.15 per share). The adjusted EPRA earnings per share was 50 pence (2021: (44) pence).

After a pause in dividend payments to shareholders during the pandemic, the ordinary dividend has been reinstated, with the total dividend for the year of 15 pence per share. We also commenced a share buy-back programme.

Full details of our financial performance are set out in the Financial Review on pages 34 to 43.

OUR BUSINESS MODEL AND GROWTH STRATEGY

The Group operates a highly differentiated integrated 'Buy, Build, Operate' business model, which sees it operate across the whole value chain, and in turn drives enhanced value for all our stakeholders. We purchase assets that we believe have significant upside potential, and apply our expertise to (re)develop and redesign these acquired assets. Furthermore, we strive for operational excellence across all portfolio assets, underpinned by our access to a variety of attractive brands. Our financial model enables us to leverage these assets to fund future investments to facilitate further growth. This model is supported by our financial strength and our £2.0 billion property portfolio.

Our proven growth strategy is built across three strategic blocks: (i) our core upper upscale city centre hotels; (ii) our leisure and outdoor hospitality offerings, both of which are asset-backed; and (iii) our hospitality management platform, through which we manage the hospitality assets of our joint venture partners and third party owners. This presents excellent growth potential for the Group, and these three strategic blocks are all reflected within our active development pipeline during the year.

EXTENSION OF OUR STRATEGIC PARTNERSHIP WITH RADISSON HOTEL GROUP

Our long-standing strategic partnership with Radisson Hotel Group (RHG) spans more than 20 years. Through this partnership, the Group has an exclusive and perpetual territorial licence of the RHG-owned Park Plaza brand in Europe, the Middle East and Africa (EMEA), which has been instrumental in the expansion of the brand in the region. Moreover, the Group (including its wholly owned art'otel brand) has access to Radisson's state of the art central reservation and global distribution systems, its global sales and marketing capabilities, and more than 11 million loyalty programme members.

In May, we were pleased to announce an extension of this successful partnership which provides the Group the opportunity to diversify our market segments and our product offer. Through the extended partnership, the Group has the ability to access and leverage RHG's full suite of brands, including Radisson Collection, Radisson Blu and Radisson RED.

RHG benefits from access to PPHE's wholly owned art'otel brand and the Park Plaza brand in certain regions within EMEA, which are primarily outside of the Group's core markets. Through this arrangement, PPHE is entitled to a fee-based income for the use of both brands and will benefit from the portfolio's growth and the resulting greater brand awareness. The first hotel launched under this new partnership arrangement was Grand Hotel Brioni Pula, a Radisson Collection Hotel.

TWO NEW PREMIUM HOTELS OPENED

We remained highly focused on delivering on our £200+ million development pipeline. Excellent progress was once again made during the year, including the opening of two stunning premium hotels.

In May, we relaunched Grand Hotel Brioni in Croatia, a 5-star upper upscale hotel which offers guests quality services, dining and wellness. The hotel opened on schedule and in time for the summer season following a two-year c. £30 million repositioning project. This is the first of our three planned premium hotels in Croatia, with two further properties expected to open during 2023 and 2024. This involves the conversion of an iconic office building in the centre of Zagreb to become Croatia's first art'otel, and the repositioning of our hotel in the centre of Pula.

Our second hotel opening in the year was the spectacular art'otel London Battersea Power Station, our first art'otel in the UK, which opened its doors to guests in December. This is a one-of-a-kind hotel experience that fuses art, design and hospitality with fabulous views across London. The interior of the hotel was designed by award-winning Signature Artist Jaime Hayon. The art'otel brand is wholly owned by the Group and the Group operates the hotel under a long-term management agreement through our hospitality operating platform, which we believe offers us significant and further long-term growth opportunities.

Development pipeline update

In the UK, construction of our flagship property, art'otel London Hoxton, continued to plan. We recognise the importance of taking a sustainable approach to development and are pleased to report that this property remains on target to achieve an 'Excellent' BREEAM sustainability rating. It will not use any gas for energy supply, save for minimal use in the kitchens for burners. Development of the property remains on track, with opening expected in H1 2024. We also have two further, longer-term development projects in London over coming years, at Westminster Bridge Road and Park Royal.

In Italy, we commenced the planned repositioning of our hotel in the centre of Rome to transform our existing hotel into an upper upscale lifestyle art'otel. The hotel is expected to reopen during Q1 2024.

During the year, we also completed various investments across the rest of our estate to renovate and upgrade properties and enhance the customer experience. This included investments positioning FRANZ Ferdinand Mountain Resort in Austria as a year-round destination, upgrades to Arena Stoja campsite in Croatia, and updates to 88 Rooms Hotel in Serbia.

Further details about these investment projects and the progress made are set out in the Business Review on pages 44 to 55.

INVESTING IN OUR PEOPLE

Our people and values drive our success. We have a strong track record of creating memorable guest experiences by delivering consistently high levels of customer service in line with the high quality of our well-invested property portfolio. We recognise the importance of a highly engaged workforce and a strong employer brand to enable us to achieve this.

2022 was a year of rebuilding our teams post COVID. Our long-standing commitment and track record of investing in our team members has clearly benefited the Group at a time when a tight labour market is proving challenging across the hospitality industry.

In the UK and the Netherlands, our centralised approach to recruitment, which sees our recruitment teams working directly to support hotel teams by sourcing and often completing the initial rounds of the recruitment process, drives a more proactive and efficient approach. Year-on-year, we increased our workforce by more than 61%.

Furthermore, we are focused on creating more part-time employment opportunities. In doing so, we can maximise the talent available to the Group by reaching those that may not have previously had the opportunity to work in hospitality, as well as increasing diversity and inclusion in our workforce. Our innovative walk-in Hospitality Career Centre at Park Plaza London Victoria, close to Victoria Station, also enables our recruitment team to attract external talent in an accessible manner and complements our online application process. We welcome around 20 walk-ins per week, and this resulted in 163 hires in 2022.

The Group's approach to recruitment is supported by its complementary partnerships with universities, colleges, local councils and the government. We believe apprenticeship schemes are an important gateway for school leavers entering the industry and each year we employ between 20 and 30 chefs, property maintenance and hospitality manager apprentices. Our graduate scheme (c. six graduates per year) offers post-graduates an 18-month programme based around five core modules which include a six-month rotation in roles across operations (meetings & events, Food & Beverage and front of house) with a quarterly review with the General Manager. We will be running a 'sandwich' placement programme in 2023. Furthermore, in the UK, we work with the Department for Work and Pensions, and have successfully recruited over 100 Jobcentre Plus customers across our London hotels through this partnership since 2021.

In the Netherlands, from next year we will similarly work with universities and offer internships and sandwich-year placements to students. To help address labour shortages, we have also started to recruit candidates from across the European Union, offering them relocation support, including accommodation for six months. In Croatia, a combination of recruiting the full headcount for the start of the season (rather than ramping up recruitment as the season progressed) and scaling overseas recruitment is behind how the brand is futureproofing its approach to talent. Through responsible recruitment partnerships in Asia, for instance, more than 250 jobs (with accommodation and catering) were created.

We are committed to taking a holistic approach to supporting our team members. We have refreshed our onboarding process for new team members, as we recognise that many new starters have not worked in the hospitality sector before and require additional training and support from their manager, particularly in the first three months. Alongside offering competitive pay rates, we provide a breadth of financial, social, mental and physical wellbeing support, such as access to Wagestream, a financial wellbeing provider, PPHE BenefitHub, and two free meals a day (even on days off). We also understand the challenges of finding suitable affordable accommodation in city centres, and provide help to address this with 15 bedrooms available for team members in London and 50 across Amsterdam.

The positive results of our ongoing investment in our team members are reflected in the results of our 2022 employee survey, which measures engagement levels including key drivers of engagement, enablement, autonomy, leadership and rewards. More than 2,260 responses were received to the June 2022 survey and we are delighted that the engagement index score for the year was 81%. During the year, we recruited a total of more than 1,400 new team members across the Group.

ONGOING INVESTMENT IN TECHNOLOGIES

A move to embed greater digitalisation and increased automation is being seen across the sector, to support an improved guest experience and drive efficiencies. This is a trend which accelerated during the pandemic, as operators needed to work faster to evolve the ways in which they interacted with customers.

We know that technology plays a huge part in our guests'overall experience, and we have continued to invest in this area and adapt the ways in which we engage with our guests. Our dedicated apps for Park Plaza and art'otel enable guests to message team members through chat and WhatsApp in real time, to access guest services such as ordering room service. Self-check-in and check-out are now available at all our hotels, giving guests the option for an in-person or contactless experience.

We have also continued to invest in front and back office technologies to improve customer service and drive efficiencies. During the pandemic, we centralised our customer service operations and some of our finance administrative functions and, to facilitate this process, we have introduced one of the market leading contact centre software solutions, resulting in a holistic view of customer profiles and improved workflows and automation. We have also continued to leverage robotics initiatives. In 2023, we will be investing in automation solutions for our engineering, front office and housekeeping functions, with a ticketing system for room status, faults and guests' requests, giving front office colleagues greater visibility and improving internal communications, planning and guest services. Furthermore, we will be continuing our implementation of two revenue management systems across our Group.

OUR TEAM MEMBERS

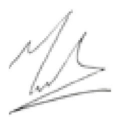
Across the Group, our people have once again demonstrated their ability to adapt to market conditions, whether in an office-based role or as part of our operational teams focused on delivering a consistent and best-in-class guest experience. On behalf of the Board, I would like to thank all of our team members for their commitment, professionalism and hard work throughout the year, and I look forward to the year ahead.

CURRENT TRADING AND OUTLOOK

Our room rate focused strategy has continued to deliver into 2023, with average room rates in all our regions exceeding pre-pandemic levels. The forward booking pace continues to be solid, and we are not seeing consumer price resistance or cooling of leisure demand. Demand of business travel and meetings and events is continuing to grow. As previously commented, the widely reported inflationary pressures are likely to impact the Group's margins, albeit modestly due to the offset by room rate increases.

As a result, the Board expects to continue to grow revenue and EBITDA this year.

We look forward to an exciting year ahead, further building on our already strong 2022 recovery performance and preparing for our new openings in Zagreb, Rome and Hoxton in 2023 and 2024.



Boris Ivesha
President & Chief Executive Officer

BUSINESS MODEL

OUR PURPOSE AND VALUES

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

Trust

Respect

Teamwork

Enthusiasm

Commitment

Care

KEY SOURCES OF VALUE

Prime property portfolio

Our real estate portfolio consists of properties in the heart of strategic gateway cities and resort destinations.

In-house hospitality management platform

Our expert team of hospitality specialists manage our own properties as well as those of third parties.

Our people

Our strong track record of creating memorable guest experiences is consistently delivered by our team members.

Multi-brand approach

We select the right brand for each property, using our own as well as those from the Radisson Hotel Group.

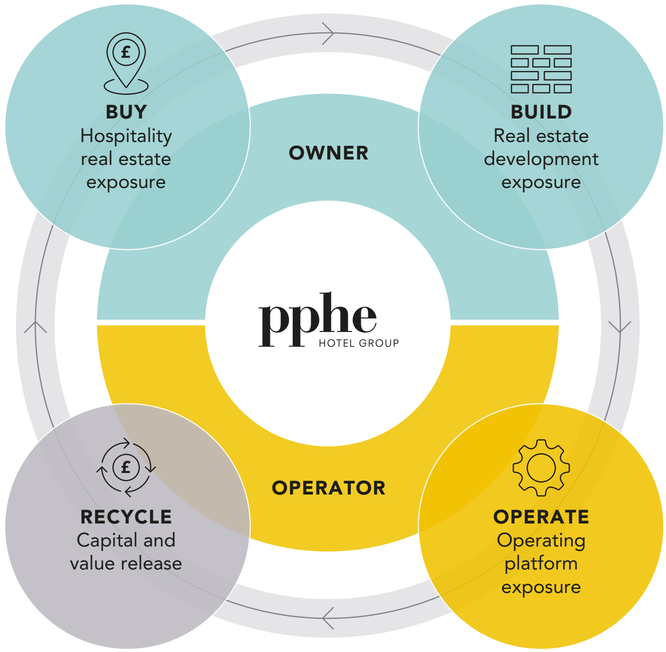
International network

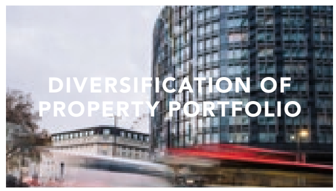
Our strong international network cultivated in the past 30 years includes banks, contractors, suppliers and strategic partners.

Financial strength

Our portfolio has grown from a single property into a £2.0 billion portfolio without diluting shareholders, and we enjoy a strong cash position.

HOW WE CREATE VALUE





Engagement with our stakeholders has enabled us to better understand what is considered material to them and better position our business model and strategy. Read more about our materiality assessment on pages 68 and 69.

THE VALUE WE CREATE

Team members

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

81%

employee engagement score measured through surveys

Guests

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

9,400 ROOMS AND 5,800 UNITS

49 PROPERTIES 8 COUNTRIES

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. This drives both capital appreciation and income from dividend.

INVESTOR ROADSHOWS

Unique and attractive proposition

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.

CREATING OPPORTUNITIES

1,000+ new jobs & apprenticeships in 2022

163 HIRES FROM CAREER CENTRE WALK-INS

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.

NEW BRANDING COLLABORATIONS

Radisson Collection secured for Grand Hotel Brioni Pula

art'otel global growth aspirations

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.

REDUCING PLASTICS

INNOVATIVE FOOD AND BEVERAGE

STRATEGY AT A GLANCE

STRATEGIC BLOCKS	2022 PERFORMANCE	2023 PRIORITIES
Core, upper upscale, city centre hotels (REAL ESTATE)	**Property:** – Progressed investments in pipeline projects, including in the art'otels in London, Rome and Zagreb – Progressed its planning application to develop new hotel near Waterloo Station – Procured renewable energy in the UK, the Netherlands and Germany – Continued to maintain Green accreditations **Operations:** – Reopened all portfolio post lockdowns – Revenue generation focus, balancing contracted business with driving top line growth from leisure travel – Re-engaged and rebuilt teams	**Property:** – Progress development projects in London, Zagreb and Rome – Planned CAPEX allocation for art'otel Budapest repositioning – Pursue new growth opportunities – Property site visits to review utility use in our hotels – Environmental assessment of construction sites to achieve highest standard of certification **Operations:** – Continue to rebuild the teams and overcome recruitment challenges – Drive the recovery of all properties – Focus on mitigating supply chain disruptions – Continue to drive efficiencies through technology implementations
Leisure and outdoor hospitality (REAL ESTATE)	**Property:** – Completed investment in Grand Hotel Brioni Pula, a Radisson Collection Hotel – Completed phase one investments in Arena Stoja Campsite, art'otel Budapest and Arena FRANZ ferdinand in Nassfeld – Progressed investments in art'otels in London, Rome and Zagreb **Operations:** – Reopened all portfolio post lockdowns – Revenue generation focus, delivering a strong summer season in Croatia – Re-engaged and rebuilt teams	**Property:** – Full integration of Grand Hotel Brioni Pula, a Radisson Collection Hotel within Radisson Hotels – Progress phase two investments in Arena Stoja Campsite – Pursue additional growth opportunities **Operations:** – Continue to rebuild the teams and overcome recruitment challenges – Drive the recovery of all properties – Focus on mitigating supply chain disruptions – Continue to drive efficiencies through technology implementations
Hospitality management platform	**Operations:** – Extended partnership with Radisson Hotel Group, providing growth opportunities across different market segments leveraging Radisson brands – Opening of art'otel London Battersea Power Station, managed by the Group's hospitality management platform – Continued implementation of digital services including online check-in and check-out, digital key, online ordering, chat and more – Outperformed on recruitment and managing staff shortages – Integrated Austria and Italy as new regions for the Group – Further consolidation of supply chain and leveraging our scale – Engaged specialist support on carbon emissions strategy and reporting – Continued to create safe environments for our team members and our guests – Increased engagement with our team members – Championed diversity and inclusion – Provided education opportunities for local schools and graduates	**Operations:** – Deliver elevated art'otel brand experience and pipeline projects – Pursue growth opportunities for the platform through third party or joint venture management agreements – Continue to drive efficiencies for the managed properties through centralisation and technologies – Continue to implement new ESG strategy – Appoint Responsible Business Ambassadors at every property – Continue to drive recruitment programmes to create jobs and opportunities for local communities

RELATED RISKS AND OPPORTUNITIES

Property:
- Development project delivery page 80
- Funding and liquidity page 79
- ESG – stakeholder perception page 84

Operations:
- Talent attraction, engagement and retention page 84
- Market dynamics page 79
- Economic climate page 78
- Operational disruption page 83
- Technology disruption page 82
- Cyber threat page 81
- Data privacy page 82
- Serious health, safety and security incidents page 83
- Fraud page 80

KPIs

Property:
- Successfully deliver openings and repositioning projects
- EPRA NRV
- EPRA EPS
- Net return on shareholder capital
- Disclosure of Scope 1, 2, and 3 carbon emissions in TCFD report
- Carbon neutrality no later than 2050

Operations:
- EBITDA and EBITDA margin
- RevPAR
- Recruitment and retention
- Employee engagement
- Guest rating score
- Health and safety assessment scores

Property:
- Development project delivery page 80
- Funding and liquidity page 79
- ESG – stakeholder perception page 84

Operations:
- Talent attraction, engagement and retention page 84
- Market dynamics page 79
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- Technology disruption page 82
- Cyber threat page 81
- Data privacy page 82
- Serious health, safety and security incidents page 83
- ESG – stakeholder perception page 84
- Fraud page 80

Operations:
- EBITDA
- Successful launch of new openings
- Growth in portfolio
- Growth in fee-based income through third party or joint venture management agreements
- Monitoring of gender pay gap for the UK and the Netherlands
- Identifying metrics for diversity and inclusion

OUR VISION

Our strategic framework is built across a series of distinct objectives, supported by PPHE's pillars and enablers which allow us to achieve our vision of delivering a best-in-class performance through building further scale and depth in our real estate portfolio and growing the platform with our integrated 'Buy, Build, Operate' model.

STRATEGY IN ACTION

A STRONG PARTNERSHIP

WE CONTINUED TO BUILD ON OUR LONG-STANDING PARTNERSHIP WITH RADISSON HOTEL GROUP IN 2022. OUR EXTENDED PARTNERSHIP WILL BE UTILISED TO DELIVER ON OUR DEVELOPMENT ASPIRATIONS.

EXTENDING OUR PARTNERSHIP

We have enjoyed a strong relationship with what is known today as Radisson Hotel Group (RHG) since 2002, when we obtained the exclusive and perpetual master franchise rights for its upper upscale Park Plaza brand for most of Europe, the Middle East and Africa. Radisson Hotel Group is owned by Jin Jiang and collectively it is the world's second largest hotel group in terms of number of rooms.

Since the start of our partnership, we have developed and delivered a strong portfolio of award-winning Park Plaza hotels in key gateway cities – from high entry markets for developers such as London and Amsterdam, which benefit from strong demand, to select resort destinations in Croatia. In turn, Radisson Hotel Group provides us with access to its central reservation and global distribution systems, its online and mobile platforms, global sales and marketing capabilities, as well as its loyalty programmes, and negotiated supplier and procurement agreements.

DIVERSIFICATION

In May 2022, we announced that we had entered into multiple new agreements with RHG, unlocking development potential for our Group. Under these new agreements, we will be able to access all of RHG's brands at favourable commercial terms. Its brand portfolio stretches from midscale to luxury offerings and this will enable us to secure growth opportunities across more market segments, knowing that we have the ability to leverage RHG's network and strengths.

As a first deliverable, we launched Grand Hotel Brioni Pula as a Radisson Collection Hotel, instantly positioning this hotel among some of Radisson's finest hotels around the world.

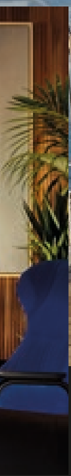
JOINT BRAND GROWTH

RHG offers a range of brands across different market segments and our art'otel brand provides an additional edge to its brand portfolio. With our iconic art'otel Amsterdam and art'otel London Battersea Power Station, and our solid pipeline of art'otels in Zagreb, Rome and London Hoxton, we are in a great position to leverage our respective strengths. Our extended partnership entails that art'otel will be marketed by RHG alongside its other brands in all RHG communications, leading to greater visibility towards a global audience. In addition, RHG has obtained certain rights to develop and operate art'otels in markets which are not seen as priority markets for a PPHE development project. Collectively the parties are intending to grow the collection of premium lifestyle art'otels, increasing their footprint.

RADISSON HOTEL GROUP

RADISSON COLLECTION · Radisson BLU · Radisson · RED Radisson · RADISSON Individuals. · PARK PLAZA · park inn by Radisson · COUNTRY INN & SUITES BY RADISSON · prizeotel

RADISSON REWARDS · RADISSON HOTELS · RADISSON MEETINGS



> *Our extended partnership will enable us to secure growth opportunities across multiple market segments.*

STRATEGY IN ACTION

LIFESTYLE FOCUS

AN EVOLUTION OF THE ART'OTEL BRAND.

In recent years, consumer demand for unique, authentic and enriching travel experiences has increased. Gone are the days when the majority of travellers were looking for cookie-cutter type of hotel stays. More and more people are combining business and leisure travel purposes and are looking for memorable hotel experiences. In addition, the significant growth of social media channels and their reach, and the swift move to video and image-based content, have truly enabled the global hospitality industry to differentiate and reach a global audience. Boutique and lifestyle offerings have proven to be very popular, and this trend is not seen to be slowing down.

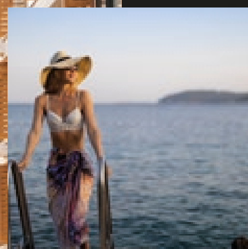
Our wholly owned art'otel brand was first created in the late nineties and represented a bold set of hotels in former Eastern Europe, from the urban Berlin to the established Budapest. We have gone to great lengths to reposition the brand to an upper upscale premium position, with art'otel Amsterdam as the embodiment of this new strategic direction. We were thrilled to open art'otel London Battersea Power Station in 2022, as the second new generation art'otel.

This iconic new hotel is a true lifestyle offering, with a spectacular rooftop infinity pool, bar with jaw-dropping views, two restaurants, spa, wellness facilities, signature art, and a forever changing programme of exhibitions and events. All touchpoints along the guest journey are carefully created, ensuring that guests will feel delighted and immersed in the overall experience and locality. Our future focused investments are progressive in nature and we will be opening exciting new lifestyle art'otels in Zagreb, Rome and London Hoxton in the next 12 months, with an appetite to grow the brand further through new acquisitions and joint venture partnerships.

OUR NEW OPENINGS, PROPERTY UPGRADES AND PIPELINE PROJECTS

STANDING TALL AT 27 FLOORS, ART'OTEL LONDON HOXTON WILL BE AN ICONIC FLAGSHIP FOR THE ART'OTEL BRAND.

2022 NEW OPENINGS



PULA

GRAND HOTEL BRIONI PULA, CROATIA

Following two years of extensive redevelopment, Grand Hotel Brioni Pula, was launched in May 2022 as a Radisson Collection Hotel. The spectacularly located hotel, with direct beach access, has been transformed into a premium luxury resort, consisting of 227 rooms and suites, an infinity outdoor pool, indoor swimming pool and several restaurants and bars. The hotel has received excellent guest feedback since it opened.

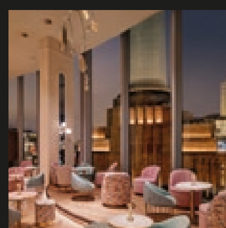
227 **Total rooms**

art'otel LONDON BATTERSEA POWER STATION, UK

Following a soft opening in December 2022, art'otel London Battersea Power Station was fully launched in February 2023. This hotel is the first art'otel opening in the UK and is operated by our hospitality management platform under a long-term agreement. Part of the Battersea Power Station development, this premium lifestyle hotel offers 164 rooms and suites, original art by acclaimed interior designer and artist Jaime Hayon, an art gallery and cultural programming, JOIA restaurant, bar and rooftop, infinity rooftop pool and TOZI grand café.

164 **Total rooms**

LONDON



PROPERTY UPGRADES

PULA

ARENA STOJA CAMPSITE

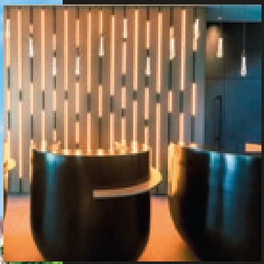
Phase one works to add 70 luxury mobile homes and green areas to the Arena Stoja Campsite were completed during the year. Phase two, which started in November 2022, will see improvements to the communal areas including a coffee shop, restaurant and infrastructure, including a sanitary block upgrade.

70 **New luxury mobile homes**

AUSTRIA

ARENA FRANZ FERDINAND NASSFELD, AUSTRIA

The hotel was open for a total of eight months of the year. In the four months it was closed, the hotel underwent a two-phased soft refurbishment programme, which included a new spa and pool facilities.



BUDAPEST

BUDAPEST

The refurbishment of the public areas at our property in Budapest is now complete and preparations are being made to upgrade the bedrooms.

STRATEGY IN ACTION

OUR PIPELINE

> *The new additions of art'otels mark an exciting time for the brand.*

ZAGREB

art'otel IN ZAGREB, CROATIA

Marking the Group's debut in the Croatian capital, construction work has commenced to convert a former office building into a 115-room premium lifestyle art'otel. Located in the city centre, this hotel will offer an art gallery, destination restaurant and bar, and leisure facilities. The hotel is expected to open in 2023.

115 **Total rooms**

ROME

art'otel IN ROME, ITALY

Marking the Group's entry into Italy, the historic Londra & Cargill hotel in the centre of Rome closed down in July 2022 and is currently being transformed into the Group's first art'otel in Italy. Following extensive redevelopment works, this hotel will be repositioned and offer 99 rooms, an art gallery, a destination restaurant and bar, leisure facilities and parking. It is expected to open in Q1 2024.

99 **Total rooms**

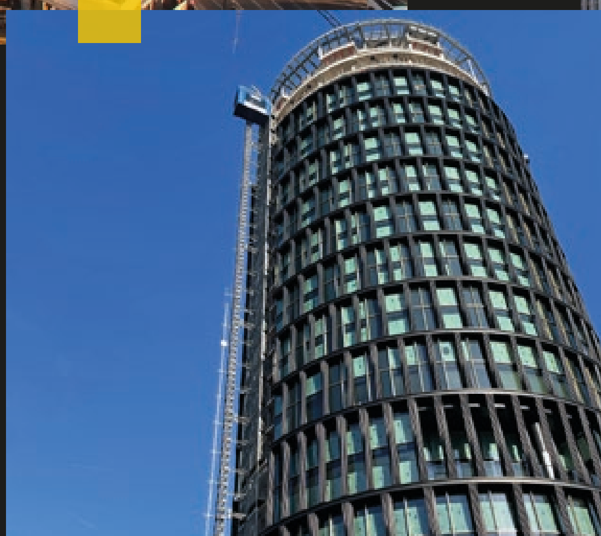
LONDON

art'otel LONDON HOXTON, UK

Our largest current construction project, expected to be completed in H1 2024. Occupying a prime location in Hoxton, this 27-storey mixed-use scheme will include a premium lifestyle art'otel with 357 rooms (including 60 suites), an art gallery, two original Banksy artwork pieces, destination restaurants, a bar, leisure facilities, events space and 5,900m² of office space.

357 Total rooms

> *art'otel London Hoxton is ideally located in the gateway of Hoxton and Shoreditch.*

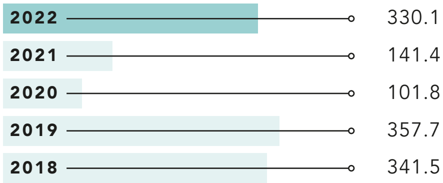


KEY PERFORMANCE INDICATORS

MEASURING OUR PROGRESS

FINANCIAL KPIs[1]

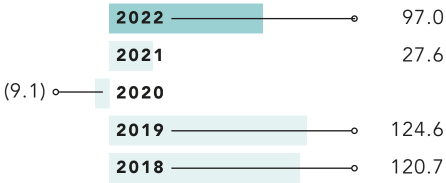
Total revenue £m



KPI definition

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

EBITDAR £m

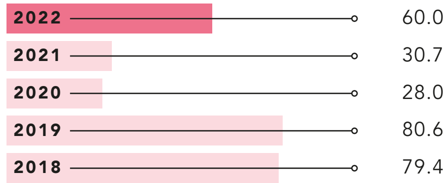


KPI definition

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

OPERATING KPIs[1]

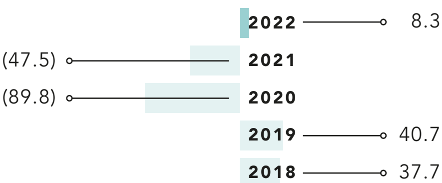
Occupancy %



KPI definition

Total rooms occupied divided by the available rooms.

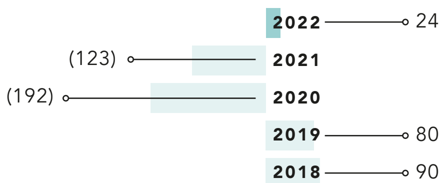
Normalised profit before tax £m



KPI definition

Earnings for the year, adjusted to remove any unusual or one-time influences, divided by the weighted average number of ordinary shares outstanding during the year.

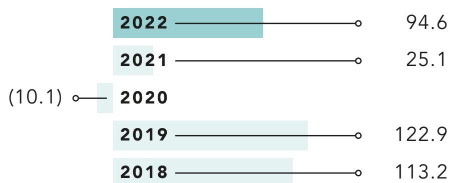
Reported earnings per share Pence



KPI definition

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

EBITDA £m



KPI definition

Earnings before interest, tax, depreciation and amortisation.

1 Further details on the key financial, operating and property KPIs can be found in the Financial Review on pages 34 to 43.

Average room rate £

2022	160.4
2021	117.0
2020	105.1
2019	128.5
2018	123.1

KPI definition

Total room revenue divided by the number of rooms sold.

RevPAR £

2022	96.2
2021	35.9
2020	29.4
2019	103.6
2018	97.7

KPI definition

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

PROPERTY KPIs[1]

EPRA NRV per share £

2022	25.17
2021	22.15
2020	22.08
2019	25.93
2018	24.57*

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

KPI definition

Net Reinstatement Value 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.

Guest rating score %

2022	84.8
2021	85.5
2020 Data not indicative	
2019	83.6
2018	85.4

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.

Employee engagement %

2022	81.0*
2021 Trial of new survey format	
2020 No surveys conducted	
2019	84.4
2018	83.6

KPI definition

Previously measured through annual engagement surveys, team members were encouraged to share feedback about the Company, their jobs, their team and their manager. Notwithstanding the high scores achieved, we have changed our measurements to be more regular and topical in the form of pulse surveys.

Adjusted EPRA EPS Pence

2022	50
2021	(44)
2020	(123)
2019	128
2018	115

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, which represents 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.

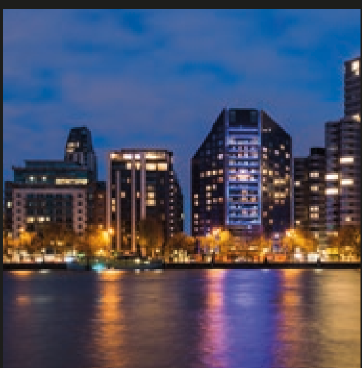
* Up until 2019, the Group measured employee satisfaction through annual surveys. Post pandemic, it has implemented a new methodology which captures employee engagement. As a result, the 2022 performance is not comparable to the performance metrics provided for earlier years.

FINANCIAL REVIEW

PIPELINE GROWTH AND A SOLID FINANCIAL POSITION

> *While it took several weeks into 2022 to gain traction, thereafter demand for leisure travel returned swiftly.*

DANIEL KOS
CHIEF FINANCIAL OFFICER
& EXECUTIVE DIRECTOR



OVERVIEW OF 2022

The Omicron COVID variant caused governments to respond and reintroduce measures at the end of 2021, resulting in a sharp drop in trading. 2022 started with most government intervention measures in place across all markets, including a lockdown in the Netherlands. In the United Kingdom, guidance was still for the general public to stay at home as much as possible. During this period, the Group continued to focus its efforts on protecting its cash position, navigating a challenging and uncertain trading environment and generally ensuring that our health and safety protocols were followed through to protect our team members and guests.

Governments started easing measures once the risks associated with the new variant became more evident. The United Kingdom was the first of our markets to reopen and start. While it took several weeks into 2022 to gain traction, thereafter demand for leisure travel returned swiftly. Our other operating regions started to gain momentum towards the end of the first quarter and at a much slower pace than compared with the United Kingdom. During the second quarter, we ramped up operations and focused on recruiting and onboarding new team members across our Group, while ensuring that we also increased our offerings and service levels.

During the second quarter, our operating margins started to improve, albeit they were still impacted by reopening costs. In the summer, demand levels increased significantly for our London hotels, with events such as Wimbledon, the Farnborough International Airshow and the state funeral of Her Majesty Queen Elizabeth II adding to already high leisure demand. This strong demand positively affected our room rates.

Our Croatian resorts reported a record performance over the summer season, benefiting from pent-up demand from holidaymakers and the limited reopening of long-haul holiday destinations. The fourth quarter saw a return for our corporate travel and meetings and events segments, and we benefited from strong demand during the half-term school holiday, period and the Christmas holidays, plus a record trading performance on New Year's Eve.

Although we achieved record average room rates in 2022, which were up 24.8% compared with 2019 (pre-COVID), we also saw a sharp increase in our cost base, most noticeably due to increased payroll costs, which increased substantially in all territories. Payroll costs in the United Kingdom topped the list of countries in which we operate due to the high demand for talent across the entire hospitality industry, combined with a significantly reduced labour pool with a lack of available talent from outside the country as a result of the Brexit transition period ended on 1 January 2021.

Utility prices across our operating regions increased sharply during 2022; however, as the Group had hedges in place for 2022, the effect of this increase was only marginal.

Throughout the year, we spent approximately £100 million on capital expenditure, with our development projects in Croatia, Austria and the United Kingdom taking up the majority of this investment. Some of our development projects, such as Grand Hotel Brioni Pula, opened in 2022; however, the majority of our pipeline is due to open in the next 18 months and these are expected to result in a step change in our trading performance.

FINANCIAL RESULTS

Key financial statistics for the financial year ended 31 December 2022.

	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2019
Total revenue	**£330.1 million**	£141.4 million	£357.7 million
Room revenue	**£237.8 million**	£84.4 million	£250.6 million
EBITDAR	**£97.0 million**	£27.6 million	£124.7 million
EBITDA	**£94.6 million**	£25.1 million	£122.9 million
EBITDA margin	**28.7%**	17.7%	34.4%
Reported PBT	**£11.5 million**	£(57.6) million	£38.5 million
Normalised PBT	**£8.3 million**	£(47.5) million	£40.7 million
Reported EPS	**24p**	(123)p	80p
Occupancy	**60.0%**	30.7%	80.6%
Average room rate	**£160.4**	£117.0	£128.5
RevPAR	**£96.2**	£35.9	£103.6
EPRA NRV per share	**£25.17**	£22.15	£25.93
Adjusted EPRA earnings per share	**50p**	(44)p	128p

FINANCIAL REVIEW *continued*

> *This varied performance by quarter has led to the Group's total revenue amounting to £330.1 million, which was up 133.5% versus 2021 and at 92.3% of the levels reported in 2019.*

OPERATIONAL PERFORMANCE

REVENUE

As the first three months of the year were dominated by government measures, lockdowns and "stay at home" guidance in the regions we operate, the Group's occupancy levels in the quarter were at 34.2%.

As the first quarter progressed, restrictions were progressively eased across our operating markets and demand gradually returned, eventually resulting in a strong performance in London and Croatia during the summer. Occupancy levels increased in the second quarter to 58.8%, and improved to 70.8% in Q3 and 72.1% in Q4.

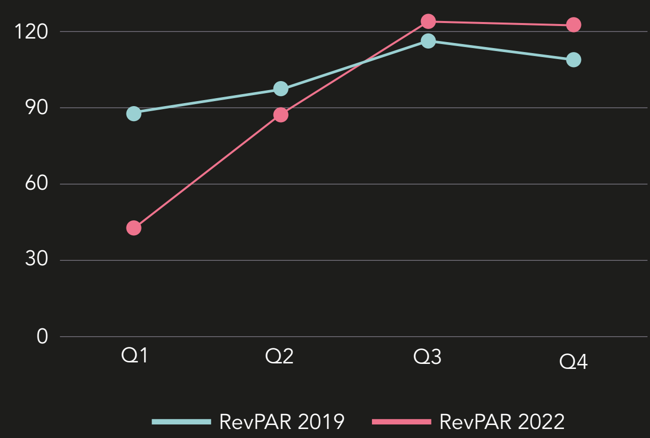
This varied performance by quarter has led to the Group's total revenue amounting to £330.1 million, which was up 133.5% versus 2021 and at 92.3% of the levels reported in 2019.

Although we experienced strong pent-up demand in the third quarter, combined with city-wide events, the shortage of team members has contributed to the Group focusing on a rate-led strategy. This means that we strategically chose to run the hotels at reduced occupancy levels compared with pre-pandemic occupancies. Room rates were subsequently increased to make up for lost capacity and mitigate wider cost pressures. This strategy has led to a 24.8% increase in average room rates in 2022 compared with 2019. Though occupancy reported in 2022 was 60.0%, up 2,930 bps from 2021, it was still 2,070 bps behind 2019 occupancy levels.

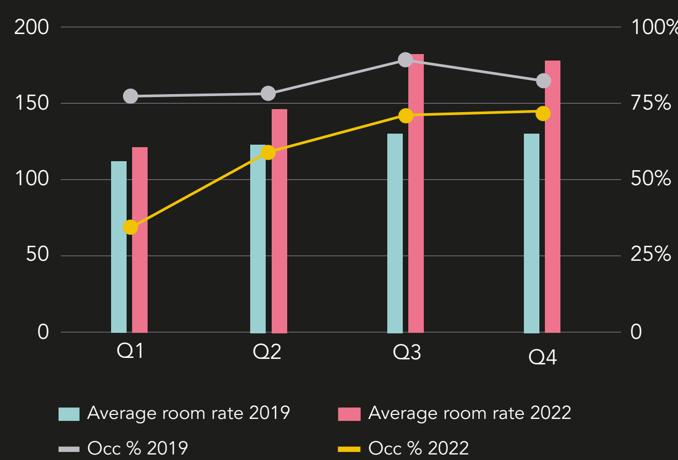
RevPAR was £96.2, up 168.0% (2021: £35.9), and at 92.8% of 2019 levels. RevPAR in the last two quarters of the year was ahead compared with the levels reported in the same period of 2019. Average room rate increased by 37.1% to £160.4 (2021: £117.0) and increased 24.8% compared with 2019 levels.

These RevPAR levels led to a total room revenue of £237.8 million, up 181.6% from 2021 and at 94.9% of 2019 room revenue.

QUARTERLY REVPAR PROGRESSION 2022 VS 2019



QUARTERLY OCCUPANCY AND ROOM RATE PROGRESSION 2022 VS 2019



EBITDA, PROFIT AND EARNINGS PER SHARE

The Group reported EBITDA is £94.6 million (2021: £25.1 million), of which £17.0 million relates to the first six months of 2022 and £77.6 million to the last six months of 2022.

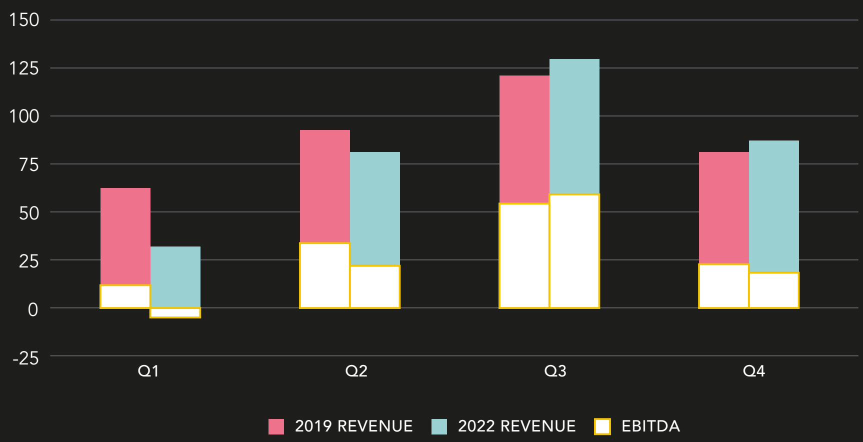
Due to the COVID restrictions in the first quarter and the ramp-up in the second quarter, comparing trading periods in this financial year is challenging. Nonetheless, the Group believes its third and fourth quarter performance in 2022 was more in line with pre-pandemic trading levels. The EBITDA margin reported for the year was 28.7%, versus a margin of 34.4% in 2019. When looking at the second half of 2022, we reported an EBITDA margin of 35.8%, which compares with 38.2% in 2019.

As outlined above, labour shortages are causing inflationary pressures in payroll cost across all operating regions.

Normalised profit before tax improved to £8.3 million (2021: £(47.5) million). Reported profit before tax improved by £69.1 million to £11.5 million (2021: £(57.6) million). On the right is a reconciliation table from reported to normalised profit.

Reported basic/diluted earnings per share for the period were 24 pence (2021: (123) pence). Depreciation excluding impairment in the year was £40.0 million (2021: £38.9 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 on page 41 is calculated using the 4% rate instead of the reported non-cash depreciation charge.

TOTAL REVENUE & EBITDA



NORMALISED PROFIT

£m	12 months ended 31 December 2022	12 months 31 December 2021
Reported profit (loss) before tax	11.5	(57.6)
Loss on buy-back of units in Park Plaza Westminster Bridge London from private investors	1.5	0.5
Settlement of legal claim	–	3.1
Revaluation of finance lease	3.7	3.6
Revaluation of Park Plaza County Hall London Income Units	(0.3)	(0.6)
Pre-opening expenses and other non-recurring expenses	1.4	0.3
Capital (profit) loss on disposal of fixed assets and inventory	0.1	(1.0)
Impairment of property, plant and equipment	–	4.4
Business combination acquisition costs	–	1.0
Loan prepayment break costs	–	0.5
Changes in fair value of financial instruments	(9.6)	(1.7)
Normalised profit (loss) before tax	8.3	(47.5)

FINANCIAL REVIEW *continued*

REAL ESTATE PERFORMANCE

VALUATIONS

As an integrated developer, owner and operator of hotels, resorts and campsites, the Group has a real estate driven business model. Returns are generated by both developing the assets we own, and operating our properties to their full potential, thus driving increased value for all stakeholders. 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.

In December 2022, the Group's properties (with the exception of operating leases and managed and franchised properties) were once again 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 2022, set out in the table on page 40, amounts to £1,078.7 million (2021: £951.2 million), which equates to £25.17 per share (2021: £22.15 per share).

The EPRA NRV was positively impacted by the profit in the year of £10.2 million and positively impacted by a revaluation of £104.0 million. The positive revaluation follows a significantly improved forward-looking cash flow profile, as the Company recovered from its COVID-distorted trading sooner than expected. In their 2021 valuations, the independent valuers had assumed the Group's trading would be largely in line with 2019 from the 2024 financial year onwards; however, this has occurred sooner than they anticipated. Discount and cap rates stayed relatively stable, increased by a higher inflationary environment and higher interest rate risks; however, these rates now have a lower added risk profile due to uncertainties around the pandemic.

The table below provides additional information regarding the discount and cap rates used. As most of the valuation increase was a consequence of a change in cash flows, we provide more insight into the trading assumptions that were used in the 2021 valuations for the financial years 2022 and 2023, compared with the actual trading in 2022 and internal budgets for 2023.

CASH FLOW AND EPRA EARNINGS

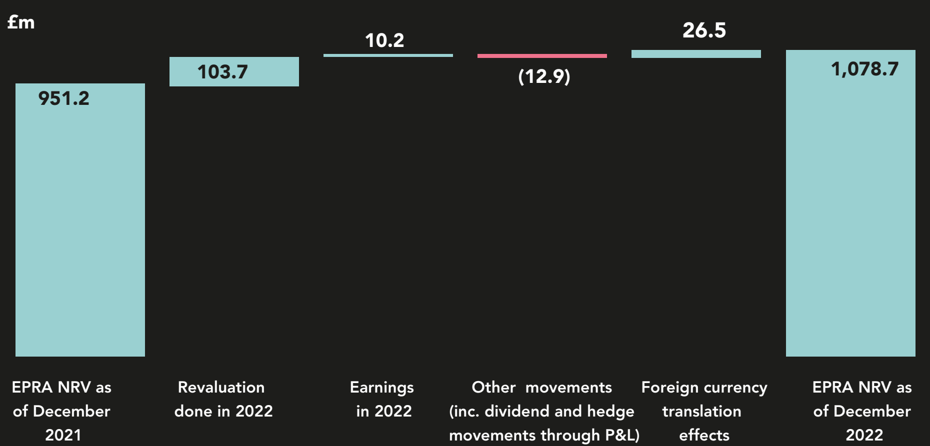
In the first quarter of 2022, the Group incurred negative operational cash flow, due to low occupancy levels around the portfolio during the COVID restrictive period. From the second quarter onwards, we reversed a two-year period of negative cash flows and started reporting more normal levels of positive operational cash flow.

Investment cash flows reported an outflow of £96.1 million, of which about 85.0% was due to development projects and £14.0 million regarding our usual maintenance CAPEX projects. Most noticeable was the £60.0 million CAPEX related to our development project in Hoxton London. This project is fully funded, and all expenditure is drawn down from the £180 million construction loan.

REAL ESTATE PERFORMANCE

Per share

£22.15	£2.42	£0.24	£(0.26)	£0.62	£25.17



VALUATION COMPARISON

2022 vs 2019 valuation Total portfolio +4.8%	
United Kingdom	+2.6%
The Netherlands	-0.7%
Germany	+11.1%
Croatia	+17.7%

2022 vs 2021 valuation Total portfolio +8.0%	
United Kingdom	+6.7%
The Netherlands	+5.9%
Germany	+16.9%
Croatia	+10.9%

Furthermore, our cash flow this year was negatively impacted by working capital payments and extra amortisation which were postponed during the COVID period. The Group has a healthy balance sheet, no significant refinancing in the near future and a total cash position of £163.6 million, with access to a further £60.0 million of undrawn facilities.

The Group reported adjusted EPRA earnings of £21.1 million (2021: £(18.8) million) and adjusted EPRA earnings per share of 50 pence (2021: (44) pence). This is the first year since the start of COVID in early 2020 that the Group had reported a positive earnings number, albeit still below the EPRA earnings per share reported in 2019 (2019: 128 pence per share).

TRADING AND ASSUMPTIONS VS 2021 VALUATIONS

	Discount rates		Cap rates	
	2022 Valuations	2021 Valuations	2022 Valuations	2021 Valuations
United Kingdom	7.75%-10.50%	7.50%-10.00%	5.25%-8.00%	5.00%-7.50%
The Netherlands	7.75%-9.50%	8.00%-9.80%	5.25%-7.00%	5.50%-7.30%
Germany	8.00%-9.25%	8.50%-9.30%	5.50%-6.75%	6.00%-6.80%
Croatia	9.00%-11.00%	9.00%-11.00%	7.00%-9.00%	7.00%-9.00%

	Revenue		Gross Operating Profit	
	2022 Actual	2023 Budget	2022 Actual	2023 Budget
United Kingdom	15.4% ↑	20.5% ↑	24.4% ↑	6.2% ↑
The Netherlands	12.9% ↑	16.2% ↑	6.0% ↑	7.2% ↑
Germany	-13.7% ↓	12.4% ↑	-9.2% ↓	16.5% ↑
Croatia	12.4% ↑	22.1% ↑	13.2% ↑	15.2% ↑

YEAR-ON-YEAR CASH FLOW

1 Including leases and unit holders in Park Plaza Westminster Bridge London.
2 £14.0 million reflects regular CAPEX.

FINANCIAL REVIEW *continued*

EPRA PERFORMANCE MEASUREMENT

EPRA SUMMARY

Summary of EPRA performance indicators

	Year ended 31 December 2022		Year ended 31 December 2021	
	£ million	Per share	£ million	Per share
EPRA NRV (Net Reinstatement Value)	1,078.7	£25.17	951.2	£22.15
EPRA NTA (Net Tangible Assets	1,047.2	£24.44	919.7	£21.42
EPRA NDV (Net Disposal Value)	1,030.9	£24.06	857.5	£19.97
EPRA earnings	32.7	77p	(17.5)	(41)p
Adjusted EPRA earnings	21.1	50p	(18.8)	(44)p

EPRA NRV

	3 1 December 2022 £ million			31 December 2021 £ million		
	EPRA NRV (Net Reinstatement Value)	EPRA NTA (Net Tangible Assets)[4]	EPRA NDV (Net Disposal Value)	EPRA NRV (Net Reinstatement Value)	EPRA NTA (Net Tangible Assets)[4]	EPRA NDV (Net Disposal Value)
NAV per the financial statements	315.1	315.1	315.1	278.5	278.5	278.5
Effect of exercise of options	3.0	3.0	3.0	6.2	6.2	6.2
Diluted NAV, after the exercise of options[1]	318.1	318.1	318.1	284.7	284.7	284.7
Includes:						
Revaluation of owned properties in operation (net of non-controlling interest)[2]	746.9	746.9	746.9	636.1	636.1	636.1
Revaluation of the joint venture interest held in two German properties (net of non-controlling interest)	6.8	6.8	6.8	3.4	3.4	3.4
Fair value of fixed interest rate debt	–	–	(9.2)	–	–	(53.7)
Deferred tax on revaluation of properties	–	–	(31.7)	–	–	(13.0)
Real estate transfer tax[3]	18.7	–	–	17.2	–	–
Excludes:						
Fair value of financial instruments	21.1	21.1	–	(0.4)	(0.4)	–
Deferred tax	(9.3)	(9.3)	–	(9.4)	(9.4)	–
Intangibles as per the IFRS balance sheet	–	12.8	–	–	14.3	–
NAV	**1,078.7**	**1,047.2**	**1,030.9**	**951.2**	**919.7**	**857.5**
Fully diluted number of shares (in thousands)[1]	42,846	42,846	42,846	42,935	42,935	42,935
NAV per share (in £)	**25.17**	**24.44**	**24.06**	**22.15**	**21.42**	**19.97**

1 The fully diluted number of shares excludes treasury shares but includes 407,223 outstanding dilutive options (as at 31 December 2021: 585,867).
2 The fair values of the properties were determined on the basis of independent external valuations prepared in December 2022.
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.

EPRA EARNINGS

	12 months ended 31 December 2022 £ million	12 months ended 31 December 2021 £ million
Earnings attributed to equity holders of the parent company	10.2	(52.1)
Depreciation and amortisation	40.0	43.3
Revaluation of Park Plaza County Hall London Income Units	(0.3)	(0.6)
Changes in fair value of financial instruments	(9.6)	(1.7)
Non-controlling interests in respect of the above[3]	(7.6)	(6.4)
EPRA earnings	**32.7**	**(17.5)**
Weighted average number of ordinary shares outstanding	42,522,523	42,539,340
EPRA earnings per share (EPS)	**77**	**(41)**
Company specific adjustments[1]:		
Capital loss on buy-back of Income Units in Park Plaza Westminster Bridge London	1.5	0.5
Remeasurement of lease liability[4]	3.7	3.6
Disposals and Other non-recurring expenses (including pre-opening expenses)[8]	1.5	(0.7)
Loan early repayment break costs[11]	–	0.5
Business combination acquisition costs[10]	–	1.0
Settlement of legal claim[6]	–	**3.1**
Adjustment of lease payments[5]	(2.2)	(2.3)
One off tax adjustments[7]	(5.8)	(3.6)
Maintenance CAPEX[2]	(13.2)	(5.7)
Non-controlling interests in respect of maintenance CAPEX and the adjustments above[3]	3.0	2.3
Company specific Adjusted Earnings[1]	**21.2**	**(18.8)**
Company specific Adjusted EPS	**50**	**(44)**
Reconciliation Company adjusted EPRA earnings to normalised PBT		
Company adjusted EPRA earnings:	**21.2**	**(18.8)**
Reported depreciation and amortisation[9]	(40.0)	(38.9)
Non-controlling interest in respect of reported depreciation[3]	7.6	6.3
Maintenance CAPEX[2]	13.2	5.7
Non-controlling interest on maintenance CAPEX and the Company specific adjustments[3]	(3.0)	(2.3)
Adjustment of lease payments[5]	2.2	2.3
One off tax adjustments[7]	5.8	3.6
Profit attributable to non-controlling interest[3]	4.7	(0.4)
Reported tax	(3.4)	5.0
Normalised profit before tax	**8.3**	**(47.5)**

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, third party investors in Income Units of Park Plaza Westminster Bridge London and the non-controlling shareholders in the partnership with Clal that was entered into in June 2021.
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 Relates to a settlement reached in a legal dispute in Croatia (see Note 24a in the annual consolidated financial statements).
7 Mainly relates to deferred tax asset on carry forward losses recorded in 2022 and 2021.
8 Mainly relates to pre-opening expense and net profit and loss on disposal of property, plant and equipment.
9 Reported depreciation excluding impairments.
10 Business combination acquisition costs (see Note 3a and 3b in the annual consolidated financial statements).
11 Loan early repayment break costs (see Note 14b in the annual consolidated financial statements).

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. Furthermore, the Group did not include EPRA LTV and instead decided to present an alternative calculation of the Group's net debt leverage which we believe is more reflective and relevant to investors. The Net Debt Leverage reconciliation table can be found on page 43.

FINANCIAL REVIEW *continued*

CAPITAL STRUCTURE

As part of our strategy, we unlock capital on the back of our assets in many different ways. We do this by raising debt, raising equity through several different forms of partnerships or sometimes by entering into 100+ year ground rent structures. This funding strategy gives us access to capital on the back of the fair value of our assets and also balances the liquidity and interest rate risk attached to our capital structure.

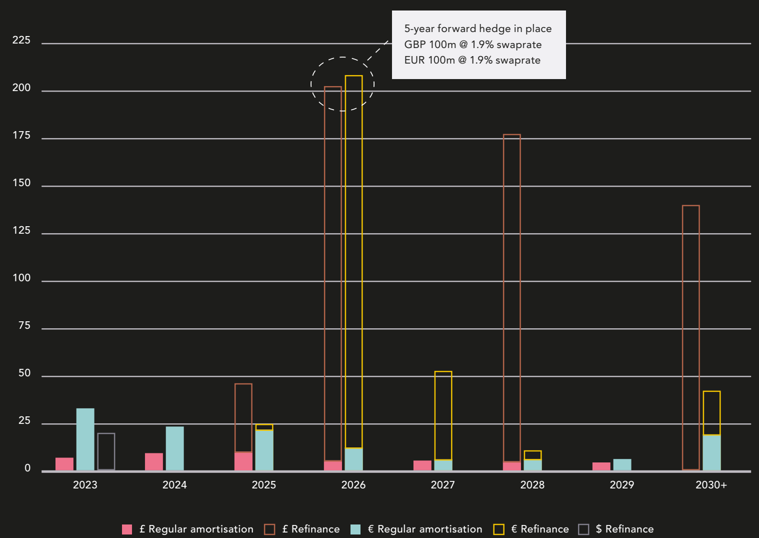
Our partnerships, such as the third party unit holders in Park Plaza Westminster Bridge London, the third party shareholders in our listed Croatian subsidiary or the individual professional partners we work with on several assets, provide us with long-term equity and therewith sharing of the risks and returns on each asset.

The 100+ year ground rent structures give us long-term access to capital, with no covenants, no recourse to the Group and no refinance risk or interest rate exposure. These structures are typically linked to inflation, although these are often capped at around 4–5% annually.

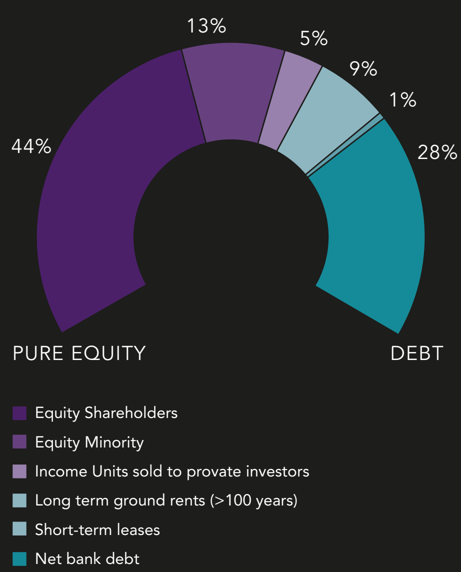
Finally, our asset-backed mortgages are mostly entered into with long-standing banking partners, with a five- to ten-year maturity and with a fixed rate or a variable rate with hedging arrangements. Our mortgages have covenants around the value of assets (Loan to Value, or LTV) and trading (interest or debt service cover ratios). The level of debt raised on trading assets is typically around 50% of the value of these assets and appropriate buffers are kept towards the covenants on the loan. Furthermore, most of our loans are amortised annually around 2.5% of the nominal amount over the term.

The current net bank debt leverage percentage is 32.9%. During the period of the pandemic, all our banks waived the covenants requirements of the respective loans.

Although our mortgages are exposed to interest rate risks, most of these were entered into years ago, averaging at 3.1% interest (fixed) and with an average remaining maturity of 4.6 years. In early 2022, the Group entered into multiple forward starting hedges (starting when loans roll over or refinance in 2024 and 2026) for approximately £380 million, around 1.4%–1.9% swap rate, significantly below current market levels. The loans on trading assets are non-recourse. Due to the remaining maturity and the forward starting swaps, we estimate that the current higher interest rate environment will start affecting the cash flows on or around 2027. The graph below on the left summarises the maturity of our loans, including annual amortisation.



CAPITAL STRUCTURE



ACQUISITIONS AND PIPELINE UPDATE

With an expansion CAPEX of £82 million, we remained focused on implementing our strategy, progressing our development pipeline, and expanding our footprint into new, highly attractive markets. We progressed well with our new build hotel in Hoxton London (art'otel London Hoxton), which reached its highest point on the 27th floor early in 2022 and is expected to be waterproof by the end of May 2023. We expect the soft opening of this hotel in the first half of 2024. The office-to-hotel conversion project in Zagreb city centre is proceeding well, with the art'otel expected to open in the first quarter of 2023.

We have successfully opened our newly transformed luxury hotel on the Croatian coast, Grand Hotel Brioni Pula, just before the start of the main summer season in Croatia. This followed a two-year repositioning programme at an investment of HRK260 million (£30 million).

In Rome, the complete interior demolition of the Londra & Cargill Hotel located in the city centre started in July 2022. Works are underway to reposition this 99-room property into an art'otel, which is now expected to open in the first half of 2024. The Group also completed the development of pool and spa facilities at our recently acquired mountain 4-star resort in Nassfeld, Austria, which we anticipate will broaden the appeal and demand for the resort, thereby increasing the average room rates of this property.

On the above £200+ million pipeline, the Group has a remaining commitment of approximately £120 million.

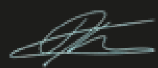
DIVIDEND

At the start of the pandemic, the Group withdrew its declared final dividend over 2019, in line with multiple other cash saving initiatives, and communicated its intention to reinstate its progressive dividend policy when the financial performance allowed. In light of the positive trading momentum that started in the second quarter and given the Group's strong balance sheet, the Board reinstated its progressive dividend policy and declared a modest interim dividend of 3 pence per ordinary share in September 2022.

This reinstatement of dividends was further to the commencement to a £3.7 million share buy-back programme which started during the summer of 2022.

Further to the above and in line with the Board's confidence in the Group's performance to date, current trading and the strength of its future development pipeline, the Board is proposing a final dividend payment of 12 pence per share. The amounts proposed enable the Group to retain proper and prudent reserves, and the capacity to secure further attractive development opportunities as and when they arise. When combined with the interim ordinary dividend, it will bring the total dividend for the year to 15 pence per share.

Subject to shareholder approval at the Annual General Meeting, to be held on 23 May 2023, the dividend will be paid on 31 May 2023 to shareholders on the register at 28 April 2023. The shares will go ex-dividend on 27 April 2023.



Daniel Kos
Chief Financial Officer & Executive Director

NET DEBT LEVERAGE RECONCILIATION

	£ million		
	As reported in the annual financial statements	EPRA NRV adjustment	EPRA NRV values
Balance sheet			
PP&E	1,335.2	711.5	2,046.7
Right-of-use asset	225.5	(225.5)	–
Lease liabilities	(267.1)	267.1	–
Income Units sold to private investors	(121.1)	121.1	–
Net PP&E	**1,172.5**	**874.2**	**2,046.7**
Intangible assets	12.8	–	12.8
Investments in joint ventures	5.0	12.8	17.8
Other assets and liabilities, net	(4.4)	2.1	(2.3)
Total assets net of finance leases and excluding cash	**1,185.9**	**889.1**	**2,075.0**
Bank/institutional loans (short/long term)	864.7	–	864.7
Cash and cash equivalents and restricted cash	(182.1)	–	(182.1)
Net bank debt	**682.6**	–	**682.6**
	–	–	–
Total Equity	**503.3**	**889.1**	**1,392.4**
Equity and net debt	**1,185.9**	**889.1**	**2,075.0**
Minority shareholders	**(188.2)**	**(128.5)**	**(316.7)**
Total capital employed PPHE shareholders	**997.7**	**760.6**	**1,758.3**
Gearing ratio	**57.6%**		**32.9%**

BUSINESS REVIEW

WE CONTINUED TO MAKE STRONG STRATEGIC PROGRESS AGAINST OUR KEY PRIORITIES IN 2022.

Once again, I have been impressed by the agility and ability of our teams to cope with myriad competing and evolving pressures during another unprecedented year for the sector and the global economy. Furthermore, it has been made clear throughout the year that demand for leisure and business travel, and hospitality is resilient and not only pent-up post-pandemic.

In Q1 we saw the start of a gradual return of confidence among consumers, initially in the UK as government restrictions began to ease. This ensured a positive start to the year for the Group, which stood in stark contrast to the comparative period in 2021 which was more heavily impacted by COVID-19. Booking momentum accelerated into Q2, with the reopening of further European markets in which we operate including the Netherlands and Germany. This was important ahead of the summer season, with our Croatian business performing better than expected and delivering record results. Thereafter, we saw quarter-on-quarter improvements in trading across our key markets, inching closer to or exceeding pre-pandemic levels of activity in many metrics. Q4 was one of our strongest on record. This outperformance was driven by one-off events such as the death and funeral of the late Queen Elizabeth II as well as a strong half-term and Christmas period, which were unaffected by the pandemic for the first time in three years.

In tandem with this consistent strengthening of demand across our premium locations around the world, we continued to make strong strategic progress against our key priorities in 2022. This has supported our resilience in the face of ongoing macro-economic challenges, while also securing our future long-term and sustainable growth prospects.

As previously mentioned, our teams remain highly focused on providing the best experience possible to our guests and as a management team, our priority has been to continue to rebuild and re-energise our teams, supporting them as much as possible to achieve this.

GREG HEGARTY
DEPUTY CHIEF EXECUTIVE OFFICER & CHIEF OPERATING OFFICER

> *I remain extremely proud of what we do at PPHE*

UNITED KINGDOM

Value of UK property portfolio	Total revenue
£991m	£190.1m

THE NETHERLANDS

Value of the Dutch property portfolio	Total revenue
£307m	£41.6m

GERMANY

Value of German property portfolio	Total revenue
£100m	£17.7m

CROATIA

Value of Croatian property portfolio	Total revenue
£334m	£69.2m

As activity has continued to recover – in many cases rapidly – we have ensured that our hiring practices and recruitment have kept up with demand. Our hospitality management platform has been critical in enabling us to respond to peaks, as well as the combined effects of the pandemic and the UK's exit from the EU on the availability of labour across the sector. Our strategic decision to employ our own accommodation services teams has continued to prove extremely prescient, with all disciplines based in-house and therefore flexible to the needs of the Group at large.

In terms of wider strategic progress in the year, we were pleased to expand our long-standing partnership with Radisson Hotel Group, building further on an already successful relationship. This enabled us to begin to widen the scope and potential of our combined global brands, with the opening of our first Radisson Collection Hotel, at Grand Hotel Brioni Pula. We look forward to continuing to further strengthen this partnership, with a number of exciting openings and positioning projects in the pipeline.

More broadly, our development pipeline of new openings is stronger than ever for the year ahead and beyond. Following the launch of our first ever art'otel in the UK, at Battersea Power Station, we are preparing for additional new art'otel openings in Zagreb, Rome and London.

I remain extremely proud of what we do at PPHE. Our real estate ownership and hospitality management expertise mean the Group is resilient and well-positioned to navigate ongoing external headwinds impacting the sector. I would like to extend my thanks once again to all our teams across the globe, who remain the backbone of our customer proposition. I look forward to continuing our strategic progress this year and in the future. I invite you to read more about our performance and various key developments in each of our operating markets in the section ahead.

Greg Hegarty
Deputy Chief Executive Officer
& Chief Operating Officer

BUSINESS REVIEW *continued*

UNITED KINGDOM

PROPERTY PORTFOLIO

The Group has a well-invested property portfolio, consisting of approximately 3,400 rooms in operation in the upper upscale segment of the London hotel market, and approximately 1,000 rooms in its London development 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. In December 2022, the Group opened the only hotel which is part of the Battersea Power Station development scheme. There are also three properties located in the UK regional cities of Nottingham, Leeds and Cardiff[2].

The Group has an ownership interest in 10 properties: Park Plaza Westminster Bridge London, Park Plaza London Riverbank, Park Plaza London Waterloo, Park Plaza County Hall London[2], Park Plaza Victoria London, Park Plaza London Park Royal, art'otel London Hoxton, Holmes Hotel London, Park Plaza Leeds and Park Plaza Nottingham. Park Plaza Cardiff[2] operates under a franchise agreement. Following its opening in late 2022, the Group operates the art'otel London Battersea Power Station[2] hotel under a long-term management agreement through its hospitality platform.

PORTFOLIO PERFORMANCE

The Group's UK portfolio performance started slowly, due to government-imposed restrictions as a result of the continued presence of the Omicron variant of COVID-19.

However, restrictions were lifted in the second half of January; earlier than the Group's other operating markets. Following this, and echoing customer behaviour seen after previous lockdowns, the Group experienced a strong and swift rebound in demand for leisure bookings. This was supported by the quality and excellent city centre locations of the portfolio, particularly in London.

The Group maintained its disciplined rates-led strategy, with room rates for the financial year, exceeding 2019 levels, led by its London properties.

Demand for leisure and weekend stays continued throughout the second quarter, while demand for meetings and events, particularly in London, showed a more gradual recovery. In July and September, London assets saw unusually elevated demand due to various events taking place in the city, including the state funeral of Her Majesty Queen Elizabeth II. This strong forward booking momentum continued into Q4 and there was a return to larger meetings and events, such as corporate conferences and award dinners during November and December.

Total reported revenue was £190.1 million (2021: £75.3 million), 91.7% of 2019 levels. Reported RevPAR was £130.3 (2021: £43.4 million), 97.5% of 2019 levels, driven by a significant increase in average room rate to £192.3 (2021: £136.2), and occupancy of 67.8% (2021: 31.9%).

Reported EBITDAR was £56.8 million (2021: £11.7 million), and EBITDA was £56.2 million (2021: £11.2 million).

FINANCIAL PERFORMANCE

	Reported in Pound Sterling (£)		
UK	**Year ended 31 Dec 2022**	Year ended 31 Dec 2021	% change
Total revenue	**£190.1m**	£75.3m	152.5%
EBITDAR	**£56.8m**	£11.7m	384.6%
EBITDA	**£56.2m**	£11.2m	401.0%
Occupancy	**67.8%**	31.9%	3,590 bps
Average room rate	**£192.3**	£136.2	41.2%
RevPAR	**£130.3**	£43.4	200.2%
Room revenue	**£149.9m**	£49.9m	200.2%
EBITDA %	**29.6%**	14.9%	1,470 bps

£991m **(2021: £932m)**

Total value of the UK property portfolio[1]

1 Independent valuation by Savills in December 2022 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.

DEVELOPMENT PIPELINE

Development of the Group's flagship London project, art'otel London Hoxton, continued as planned during the year. The premium lifestyle hotel will comprise 357 rooms and suites, five floors of 5,900m^2 office space, wellness facilities, a gym and swimming pool, and an art gallery space. Located in the vibrant Shoreditch area in East London, the property is now 'topped' out to the 27th floor. Cladding of the building is now complete until 22nd floor, with the remainder expected to be completed by the third quarter. The structural works for the spa, auditorium and art gallery have also been completed. The impressive Banksy artworks have now been installed on the exterior of the building. The property is due to be completed in H1 2024.

Two further mixed-use longer-term development projects located in London are being progressed. The first is a site adjacent to Park Plaza Park Royal in West London, for which the Group is exploring options to enhance the scheme. The Group is also progressing with its planning application and is engaging with the local community at a second site, at 79–87 Westminster Bridge Road, which is situated close to the Group's Park Plaza London Waterloo and Westminster Bridge properties.

HOSPITALITY MANAGEMENT PLATFORM PROJECTS

The highly anticipated art'otel London Battersea Power Station opened its doors to guests in December 2022. The property, which is located within the Battersea Roof Gardens, features 164 bedrooms, a Venetian-inspired Italian TOZI restaurant and bar, a skyline destination restaurant, JOIA, and a spectacular rooftop swimming pool. The hotel also offers a gym, spa, event facilities and an art gallery with regular art programmes throughout the hotel. Jaime Hayon is the hotel's interior designer and Signature Artist, and two Michelin starred Portuguese chef Henrique Sá Pessoa is the JOIA restaurant Concept Chef. The hotel officially launched in February 2023. The Group operates the hotel under a management agreement through its hospitality operating platform.

THE UNITED KINGDOM HOTEL MARKET*

RevPAR was up 76.1% at £80.7, driven by a 28.1% increase in average room rate to £109.8 and a 37.5% increase in occupancy to 73.5%

In London, RevPAR increased by 145.8% to £135.1 compared with 2021, reflecting a 61.9% increase in occupancy to 73.8%, and a 51.8% increase in average room rate to £183.1.

* Source STR European Hotel Review, December 2022.

ART'OTEL HOXTON

The construction of art'otel London Hoxton in the heart of London Shoreditch is progressing well, with external cladding almost complete, advances with the public area and lower ground floors and the guest room show room having been approved. The 27-storey property will comprise 357 hotel rooms, including 60 suites.

PPHE Hotel Group entered into a joint venture in June 2021 with Clal Insurance, one of Israel's leading insurance and long-term savings companies.

- The Signature Artist will be revealed in H2 2023
- The mixed-use build includes offices which will go to market later this year
- Advance progress has been made with the restaurant and bar concepts for the hotel

"We have experienced strong recovery in the UK market and have an exciting pipeline for the future.

THE NETHERLANDS

PROPERTY PORTFOLIO

The Group has an ownership interest in three hotels in the centre of Amsterdam (Park Plaza Victoria Amsterdam, art'otel Amsterdam and Park Plaza Vondelpark, Amsterdam), and a fourth property located near Schiphol Airport (Park Plaza Amsterdam Airport). It also owns Park Plaza branded hotels in Utrecht and Eindhoven.

PORTFOLIO PERFORMANCE

The introduction of a COVID-19 lockdown by the government in December 2021 severely impacted trading across the Group's properties in the Netherlands at the outset of the financial year. However, restrictions were lifted in late February, following which all of the Group's properties in the Netherlands – except Park Plaza Amsterdam Airport – reopened fully. Park Plaza Amsterdam Airport reopened in April to accommodate 180 Ukrainian refugees. displaced by the ongoing conflict arising from Russia's invasion of Ukraine. The hotel was subsequently open to all guests from June.

From May onwards, customer demand increased, driven initially by leisure stays, and predominately for the weekends. Our City Centre Amsterdam hotels were in line with our competitors. The provincial hotels were strong with corporate pick up and were ahead of the competition. This recovery across leisure, and subsequently corporate travel, meetings and events, continued throughout the remainder of the year, with a particularly strong meetings and events performance at the Park Plaza Utrecht.

> *Q2 recovered quickly, following the removal of COVID restrictions, with strong average room rates delivered*

After a significant refurbishment in 2021 and the lifting of restrictions, the Group's Amsterdam restaurants were also able to regain momentum. Notably, ARCA restaurant, located at art'otel Amsterdam, performed very well, garnering excellent customer feedback.

Total revenue was €48.7 million (2021: €12.1 million), 79.3% of 2019 levels. RevPAR increased to €95.5 (2021: €20.8). The average room rate increased to €166.6 (2021: €128.1). Occupancy improved significantly to 57.3% (2021: 16.3%).

EBITDA was €13.1 million (2021: €1.2 million). The region exceeded budget expectations for GOP.

Total value of the Netherlands property portfolio[1]

£307m

(2021: £274m)

FINANCIAL PERFORMANCE

	Reported in Pound Sterling[2] (£)			Reported in local currency Euro (€)		
The Netherlands	**Year ended 31 Dec 2022**	Year ended 31 Dec 2021	% change	**Year ended 31 Dec 2022**	Year ended 31 Dec 2021	% change
Total revenue	**£41.6m**	£10.4m	301.6%	**€48.7m**	€12.1m	303.8%
EBITDAR	**£11.2m**	£1.1m	916.6%	**€13.1m**	€1.3m	922.1%
EBITDA	**£11.2m**	£1.1m	941.8%	**€13.1m**	€1.2m	947.4%
Occupancy	**57.3%**	16.3%	4,110 bps	**57.3%**	16.3%	4,110 bps
Average room rate	**£142.2**	£109.9	29.4%	**€166.6**	€128.1	30.1%
RevPAR	**£81.5**	£17.9	356.2%	**€95.5**	€20.8	358.7%
Room revenue	**£31.9m**	£7.0m	356.2%	**€37.4m**	€8.2m	358.7%

1 Independent valuation by Savills in December 2022.

2 Average exchange rate from Euro to Pound Sterling for the period ended 31 December 2022 was 1.172 and for the period ended 31 December 2021 was 1.165 representing a 0.5% increase.

THE DUTCH HOTEL MARKET*

RevPAR increased by 182.2% to €86.4 compared with 2021. Occupancy increased by 92.9% to 63.0%, and the average room rate was €137.2, 46.3% higher than in 2021.

In Amsterdam, our main market in the Netherlands, RevPAR increased by 272.6% to €104.0. Occupancy levels increased by 133.7% to 63.7%, and the average daily room rate increased by 59.4% to €163.1.

* Source STR European Hotel Review, December 2022.

ART'OTEL AMSTERDAM, ARCA RESTAURANT

Award-winning two Michelin starred Portuguese chef Henrique Sá Pessoa, recently named in the top 100 Best Chefs in the World, opened ARCA in November 2021 as his first restaurant in Europe outside of Lisbon, and the funkier, more relaxed sister to his other outposts.

ARCA brings a relaxed and approachable Portuguese sharing plates concept with modern flavours, Asian influences and impressive cocktails. Find ARCA at Amsterdam's art'otel!

– Listed in the Michelin Guide 2022

arcaamsterdam.com

BUSINESS REVIEW *continued*

CROATIA

Total value of the Croatian property portfolio[1]

£334m

(2021: £253m)

PROPERTY PORTFOLIO

The Group's subsidiary, Arena Hospitality Group d.d. ('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 these properties are Park Plaza branded, and Grand Hotel Brioni is a Radisson Collection hotel. The remainder of its portfolio operates independently or as part of the Arena Hotels & Apartments, with Hotel Arena Hotel Medulin exclusively marketed as TUI Blue Medulin, and Arena Campsites brands. Planning permission for Hotel Riviera was granted in February 2023 and development of the property to become our third premium hotel in Croatia is in its planning phase. The Group is developing a leased property in the centre of Zagreb.

PORTFOLIO PERFORMANCE

The majority of the Group's Croatian properties close in Q1 of each year, in line with the seasonality of operations in the country. However, during Q2 – and particularly from around Easter – business activity intensifies as hotels, resorts and campsites open for the season and are fully open and trading. After the peak summer season in June, July and August, most properties are closed in late September/mid-October for winter.

All properties performed strongly during the important summer trading period, and ahead of initial expectations. This reflected pent-up guest demand in the absence of COVID-19 related restrictions. Following the completion of a number of customer experience-enhancing repositioning investments in recent years to elevate properties to upscale market positions, including the repositioning of Grand Hotel Brioni, Arena One 99 Glamping and the Arena Grand Kažela campsite, the Group was able to command higher rates across much of its Croatian portfolio, particularly its campsites. Notably, trading in Q3 (high season) saw total revenue and RevPAR surpass that of Q3 2019, driven by strong rate growth.

Total revenue (in Croatian Kuna) was HRK 612.8 million (2021: HRK 392.2 million). On average, rates increased 22.8% to HRK 1,087.8 (2021: HRK 885.8), exceeding 2019 levels and occupancy also improved considerably to 55.1% (2021: 46.6%). Consequently, RevPAR was HRK 599.0, an increase of 45.2%, primarily driven by the growth in rates.

The region reported EBITDA of HRK 189.2 million, an increase of 48.2% year-on-year (2021: HRK 127.6 million). This included the negative impact of increased cost inflation for utilities, food and payroll expenses, but excluding non-recurring expenses related to the opening of Grand Hotel Brioni. In 2022, the Group did not receive any Croatian government grants or subsidies to support payroll costs and fixed costs (2021: HRK 23.6 million). From 1 January 2023, the Group's Croatian portfolio performance will be reported in Euros, following Croatia's admission to the eurozone.

ASSET MANAGEMENT PROJECTS

In May, Hotel Grand Brioni reopened following a two-year HRK 260 million (£30 million) repositioning project to create a luxury 5-star, 227-room full-service hotel, offering guests an infinity pool, indoor pool and extensive health and wellness facilities,

FINANCIAL PERFORMANCE

	Reported in Pound Sterling[2] (£)			Reported in local currency HRK		
Croatia	**Year ended 31 Dec 2022**	Year ended 31 Dec 2021	% change	**Year ended 31 Dec 2022**	Year ended 31 Dec 2021	% change
Total revenue	**£69.2m**	£44.6m	55.2%	**HRK 612.8m**	HRK 392.2m	56.2%
EBITDAR	**£23.3m**	£16.4m	42.2%	**HRK 205.3m**	HRK 143.4m	43.2%
EBITDA	**£21.4m**	£14.6m	47.2%	**HRK 189.2m**	HRK 127.6m	48.2%
Occupancy[3]	**55.1%**	46.6%	850 bps	**55.1%**	46.6%	850 bps
Average room rate[3]	**£123.2**	£101.0	22.0%	**HRK 1,087.8**	HRK 885.8	22.8%
RevPAR[3]	**£67.8**	£47.1	44.2%	**HRK 599.0**	HRK 412.6	45.2%
Room revenue[3]	**£36.1m**	£21.6m	67.1%	**HRK 318.9m**	HRK 189.6m	68.2%

1 Independent valuation by Zagreb nekretnine Ltd in December 2022 and excluding Zagreb which is under development.

2 Average exchange rate from Croatian Kuna to Pound Sterling for the period ended 31 December 2022 was 8.829 and for the period ended 31 December 2021 was 8.768, representing a 0.7% increase.

3 The room revenue, average room rate, occupancy and RevPAR statistics include all accommodation units at hotels and self-catering apartment complexes and exclude campsites and mobile homes.

and several restaurants and bars. It is a Radisson Collection Hotel and is the first property to operate and be marketed under the Group's extended partnership with RHG. Since opening for the summer season, the property has performed well, with its upper upscale positioning achieving a very strong average room rate of more than HRK 2,500 per night.

During Q2, phase one of the planned investment to upgrade Arena Stoja Campsite was completed. This included an investment in 75 new upscale mobile homes, a new campsite entrance and reception area.

DEVELOPMENT PROJECTS

The development pipeline, which is focused on luxury to further enhance the guest experience and support increased rates, consists of two further premium hotels in Croatia.

In Zagreb, the development of an art'otel is underway, with an expected investment of €18 million (£16 million). The project involves the conversion of an iconic building in a prime location in the heart of the city into an upper upscale lifestyle hotel containing a restaurant and bar, swimming pool, wellness and spa facilities, fitness centre and events space. The project is expected to complete in Q2 2023, subject to any impact on the work schedule from supply chain related delays and complications. Acquired in April 2020, plans to reposition Hotel Riviera Pula are currently being prepared.

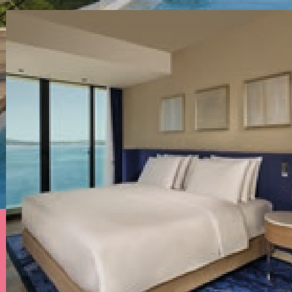
Phase two of the repositioning investment programme for Arena Stoja Campsite commenced in late 2022 and is expected to be completed in time for the 2023 summer season (total expected investment €6.6 million (£5.8 million)). This phase includes a new arrival and entrance area, an extensive renovation of the main restaurant and major infrastructure upgrades such as sanitary blocks.

GRAND HOTEL BRIONI

The Grand Hotel Brioni Pula, a Radisson Collection Hotel, is one of is one of the most highly regarded hotels in Croatia, enjoying a superb location overlooking the Istrian Peninsula and seafront promenade. The 227-room hotel is surrounded by lush Mediterranean greenery which is typical of this beautiful stretch of Adriatic coast. The Grand Hotel Brioni Pula is connected to the sea via a series of terraced beaches.

– Highest Guest Review Index Score (RGI) in all PPHE hotels in 2022

grandhotelbrioni.com



BUSINESS REVIEW *continued*

GERMANY

PROPERTY PORTFOLIO

The Group's portfolio in Germany includes four properties in Berlin and one hotel each in Cologne, Nuremberg and Trier. Hotels with an ownership interest include Park Plaza Berlin Kudamm[3], Park Plaza Nuremberg, art'otel Berlin Mitte[3], Park Plaza Berlin (converted in the year from art'otel Berlin Kudamm) and art'otel Cologne. Park Plaza Wallstreet Berlin Mitte operates under an operating lease and Park Plaza Trier[3] operates under a franchise agreement.

PORTFOLIO PERFORMANCE

In March, COVID-19 restrictions were lifted and booking activity levels gradually recovered, driven predominantly by leisure demand at the Group's city centre hotels. This positive booking momentum continued and the return of fairs and events, particularly in Berlin and Nuremberg in September, further benefited the Group, with the average room rate in Q3 exceeding that of Q3 2019 by 36%. In the second half of the year the properties in the region outperformed the competitors ADR.

As a result, all operational metrics recovered strongly. Total revenue (in local currency) was €20.8 million (2021: €7.7 million). RevPAR increased by 187.4% to €68.5 (2021: €23.8), due to a sharp recovery in average room rate to €129.3, up 44.0% compared with the prior year (2021: €89.8), and strong improvement in occupancy to 53.0% (2021: 26.5%).

In 2021, our EBITDA performance benefited from €9.8 million in government support and, following markets reopening and government support reducing, we are reporting an improved EBITDA of €7.5 million for 2022.

ASSET MANAGEMENT PROJECTS

Investment programmes are being planned for two of the Group's properties in Berlin. In December, art'otel Berlin Kudamm was converted to Park Plaza Berlin and soft refurbishment plans are being prepared for art'otel Berlin Mitte and Park Plaza Berlin Kudamm. These projects are expected to commence in 2023.

Total value of the German property portfolio[1]

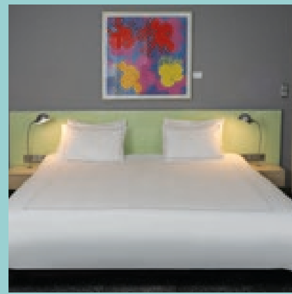
£100m

(2021: £87m)

FINANCIAL PERFORMANCE

	Reported in Pound Sterling[2] (£)			Reported in local currency Euro (€)		
Germany	**Year ended 31 Dec 2022**	Year ended 31 Dec 2021	% change	**Year ended 31 Dec 2022**	Year ended 31 Dec 2021	% change
Total revenue	**£17.7m**	£6.6m	167.8%	**€20.8m**	€7.7m	169.2%
EBITDAR	**£6.4m**	£6.7m	(4.6)%	**€7.5m**	€7.8m	(4.1)%
EBITDA	**£6.4m**	£6.7m	(4.5)%	**€7.5m**	€7.8m	(4.0)%
Occupancy	**53.0%**	26.5%	2,640 bps	**53.0%**	26.5%	2,640 bps
Average room rate	**£110.3**	£77.1	43.2%	**€129.3**	€89.8	44.0%
RevPAR	**£58.4**	£20.4	185.9%	**€68.5**	€23.8	187.4%
Room revenue	**£15.2m**	£5.3m	185.9%	**€17.8m**	€6.2m	187.4%

1 Independent valuation by Savills in December 2022.
2 Average exchange rate from Euro to Pound Sterling for the period ended 31 December 2022 was 1.172 and for the period ended 31 December 2021 was 1.165, representing a 0.5% increase.
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.

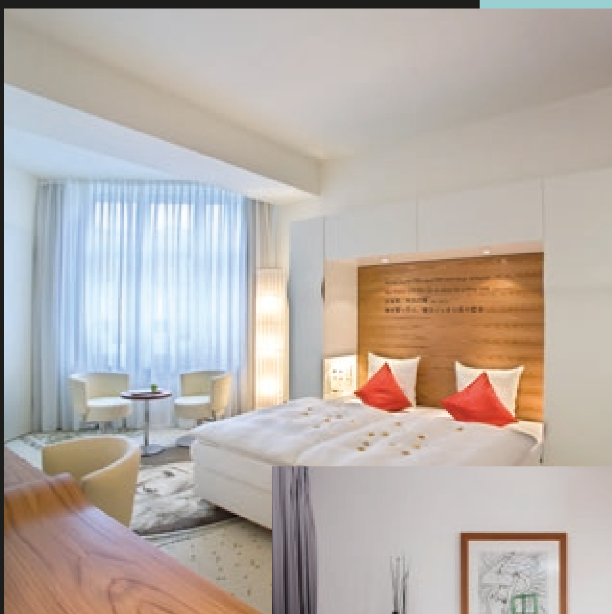


THE GERMAN HOTEL MARKET*

The German market experienced a 104.0% increase in RevPAR to €62.8, resulting from a 68.5% improvement in occupancy to 58.2% and a 21.1% increase in average room rate to €108.0.

In Berlin, RevPAR increased by 133.5% to €73.5 and occupancy increased by 73.4% to 65.7%. Average room rate increased 34.7% to €111.8.

* Source STR European Hotel Review, December 2022.



OTHER MARKETS

ITALY, HUNGARY, SERBIA AND AUSTRIA

	Reported in Pound Sterling (£)		
	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change
Total revenue	**£6.3m**	£0.9m	644.0%
EBITDAR	**£(0.6)m**	£(0.8)m	28.7%
EBITDA	**£(0.6)m**	£(0.9)m	26.2%
Occupancy	**34.3%**	8.8%	2,550 bps
Average room rate	**£97.2**	£68.4	42.2%
RevPAR	**£33.4**	£6.0	453.8%
Room revenue	**£4.6m**	£0.5m	743.0%

The Group's focus in the region has been on developing the acquisitions made over the past three years in Belgrade (Serbia), Nassfeld (Austria) and Rome (Italy).

NASSFELD, AUSTRIA

The FRANZ Ferdinand Mountain Resort located in Nassfeld, Austria performed well during the winter ski season, the first under the Group's ownership. The 144-room hotel was closed in March and underwent a soft refurbishment prior to reopening in early June for the summer season. The hotel then closed for more extensive development works to support year-round occupancy, including the installation of air conditioning and heating systems throughout the property and the creation of a wellness and spa centre, including indoor and outdoor swimming pools. The Group plans to invest in the hotel's remaining communal areas over the longer term. The total investment in upgrading the property is €3.6 million (£3.2 million).

ROME, ITALY

Londra & Cargill Hotel, the Group's 4-star property in a prime central location in the city of Rome, traded in the first half of the year. The hotel was closed on 1 July to undergo a £17 million repositioning project to become an upper upscale 99-room lifestyle art'otel. Construction works to strip-out and reconfigure the layout of the hotel and interior design are ongoing. The project is on track to see the hotel reopen during H1 2024.

THE ITALIAN HOTEL MARKET*

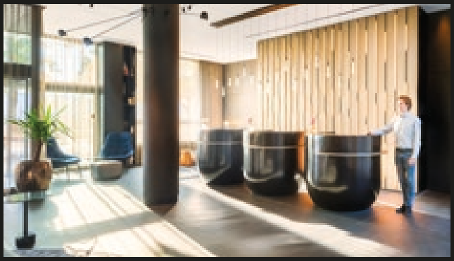
The Italian market experienced a 108.0% increase in RevPAR to €186.8, resulting from a 59.5% improvement in occupancy to 63.3% and a 30.4% increase in average room rate to €118.2.

In Rome, RevPAR increased by 149.1% to €127.7 and occupancy increased by 93.7% to 65.5%. Average room rate increased 28.6% to €195.1.

* Source STR European Hotel Review, December 2022.

BELGRADE, SERBIA

The 88 Rooms Hotel is a 4-star hotel located minutes from Belgrade's historic old town, with a restaurant, bar, conference room and fitness facilities. A repositioning programme is underway, and works are scheduled to start in the first half of 2023. The hotel will undergo a substantial redesign and transformation of all public areas, bedrooms and services.



BUDAPEST, HUNGARY

art'otel Budapest was reopened in June following a period of pandemic related closure. During the closure, the Group completed phase one of its planned repositioning of the property, with an extensive redesign of all public areas including the lobby, wellness area, restaurant, bar and meeting spaces. The second phase, which will see all of the hotel's 165 bedrooms refurbished, is currently being planned.

THE HUNGARIAN HOTEL MARKET*

The Hungary market experienced a 116.0% increase in RevPAR to €61.7, resulting from a 86.5% increase in occupancy to 60.8% and a 15.8% increase in average room rate to €101.5.

In Budapest, RevPAR increased by 117.7% to €64.2 and occupancy increased by 90.9% to 60.6%. Average room rate increased 14.0% to €105.9.

* Source STR European Hotel Review, December 2022.

MANAGEMENT AND CENTRAL SERVICES

OUR PERFORMANCE

Revenues in this segment are primarily related to 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 2022, the segment showed a significant improvement due to the recovery.

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

	Reported in Pound Sterling (£)	
	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Total revenue before elimination	**£37.5m**	£18.0m
Revenues within the consolidated Group	**£(32.4)m**	£(14.3)m
External and reported revenue	**£5.1m**	£3.7m
EBITDA	**£0.0m**	£(7.6)m

RESPONSIBLE BUSINESS

2022 WAS THE YEAR IN WHICH WE AMPLIFIED OUR RESPONSIBLE, SUSTAINABLE BUSINESS PLANNING EFFORTS. I AM ENCOURAGED BY THE LEVEL OF ENGAGEMENT WE SEE FROM ALL OUR STAKEHOLDERS ON ESG MATTERS.

INBAR ZILBERMAN
CHIEF CORPORATE
& LEGAL OFFICER

Shareholders are regularly engaging with us on governance issues and seeking data on energy efficiency. Our guests proactively ask for information about ways to make their stay as ecologically friendly as possible, for example, through recycling and measures to save water. Our team members also emphasise the importance of our ESG measures in their pulse survey feedback.

OUR PEOPLE, OUR PLACES, OUR PLANET

We have worked hard to collect data to allow us to be transparent and accountable about what we have done to become a more environmentally friendly business, to keep engaging with communities and to be an employer of choice. On energy and carbon emissions, a really exciting project that took place in 2022 was 'Save While You Sleep'. As part of our aim of setting science-based targets for achieving net zero carbon emissions by 2040, we undertook a project with a specialist consultancy to monitor our energy use in hotels on a half-hourly basis. The data collected enabled us not only to set our baselines for our science-based targets, but immediately to make energy savings by identifying and resolving inefficiencies.

The 'Ecological' programme, including the 'Just a Drop' campaign to ensure access to clean water in the developing world, has been a great success. Read about the money raised for this good cause on page 65.

We continue to prioritise being a responsible steward of the properties in our portfolio. In Croatia, where this includes extensive woodland, in which we are actively increasing biodiversity through planting trees.

LOOKING AHEAD

> *Shareholders are regularly engaging with us on governance issues and seeking data on energy efficiency.*

We took the decision that 2022 was the right year to ensure that we are responding to all these stakeholder priorities in the best, most efficient manner. This began with undertaking a full double materiality assessment of our stakeholders' ESG priorities. The results of this assessment form the basis of our new strategy. You can read a summary of the results of our assessment on pages 68 and 69. We determined that, as a business, we were doing good work, but we could be better in communicating how our Responsible Business activities drove the achievement of the United Nations' Sustainable Development Goals (SDGs).

Our new strategy comprises targets to drive four areas of ESG performance, resting on a governance platform:

Properties	People	Local communities	Supply chain
The impact our hotels have on the environment through embedded carbon, energy usage and resource consumption.	Being an employer of choice through investing and developing our people, and promoting internally.	Ensuring that we are contributing to society wherever our hotels are by creating value locally and being a responsible corporate citizen.	Looking at our impact in a global sense on the environment, human rights, labour conditions and embodied carbon through our supply chain.
Governance			
Ensuring good governance and accountability to stakeholders in delivery of targets.			

The strategy was approved by the Executive Leadership Team at the end of 2022 and the targets we are announcing were made official by Board approval on 1 March 2023. We look forward to reporting back on them in the next Annual Report and Accounts.

RESPONSIBLE BUSINESS *continued*

OUR PEOPLE

DURING THE LAST YEAR, THE PPHE TEAM OF NEARLY 2,900 TALENTED PEOPLE WAS INSTRUMENTAL IN CREATING VALUABLE MEMORIES FOR GUESTS.

We amplified our efforts to ensure great places to work, while securing the future pipeline of talent through innovative recruitment and professional development programmes.

ATTRACTING AND RETAINING TALENT

Our 2022 materiality assessment found that attracting and retaining talent was among stakeholders' top five ESG priorities, especially critical to employees themselves, and our Board. We are aware of high demand and low supply of skills in many markets, which means shareholder value depends on high retention levels. The findings reinforce how important innovative and inclusive recruitment methods are to our current and future business continuity. As described on pages 18 and 19, during the last year we have taken a number of steps to attract wider and more diverse pools of talent – for instance, by creating more part-time opportunities and offering attractive relocation support packages for overseas talent.

In the UK, the PPHE brand could be seen clearly at careers fairs, including Skills Excel London, the Mayor of London's Hospitality Event, the Spirit of Apprenticeships and Battersea Power Station fair. We joined up with the Department for Work and Pensions on a number of virtual careers fairs, where a single online event could reach well over 80,000 people, often from hard-to-reach groups. We also held events with Jobcentre Plus and charity partners such as Spark Change, Spear, Shaw Trust and Catch 22. Overall, our charity partnerships led to 17 employment opportunities. Through our own Careers Centre, we achieved 163 hires arising from around 20 walk-ins per week, while 12 open days raised our profile further.

IN ACTION

INVESTING IN TOMORROW'S TALENT

The PPHE Apprenticeship Academy went from strength to strength. In the UK alone, 11 apprentices began placements – from commis chefs, to property maintenance and management; and 20 'legacy' apprentices completed their programmes (delayed due to the pandemic). A new partnership was launched with Westminster Kingsway College, significantly increasing our apprenticeship pool from Lewisham College. In the Netherlands, 86 interns experienced on-the-job training in a variety of hospitality roles.

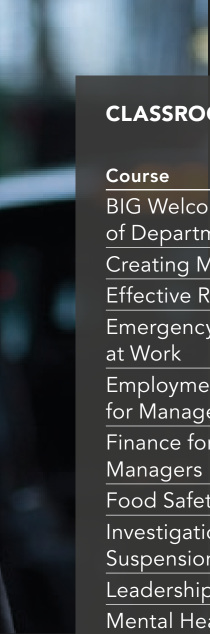
Also with the future workforce in mind, the PPHE UK graduate programme restarted, with six graduates starting their 18-month rotations, building capacity in self-development, guest experience, leadership, compliance and commercial acumen. We further strengthened higher education collaborations with Oxford Brooks, East London, Shannon, Glion, Surrey and Anglia Ruskin, among others. This year, we look forward to student 'sandwich' placements resuming.

A GREAT PLACE TO WORK

Empowering our people to grow and realise their full potential means investing in high quality training and structured performance reviews. The online Learn & Grow platform delivered 13 classroom courses, with 358 employees participating. We also improved performance review processes, reporting and data analytics. Adding new virtual content for employees is shaping our 'anytime, anywhere' growth culture, forming a strong foundation for the new Talent Acquisition, Learning and Development and Talent Management Strategy to be launched imminently.

Another learning and development milestone was the addition of a new Hospitality Training Manager role. This new resource has been instrumental in designing consistent onboarding frameworks, as well as developing our apprenticeship strategy and technical skills capabilities.

A great place to work also means taking care of employee health and wellbeing. Our People Promise has evolved into a comprehensive Work Life programme spanning physical, financial, emotional and social wellbeing. We are continually expanding assistance to colleagues – from discounted gym membership, cycle to work facilities and healthy subsidised meals; to mental health first aid, benefits packages and work/life balanced working patterns.



CLASSROOM COURSES DELIVERED

Course	Number of attendees
BIG Welcome Heads of Department	37
Creating Memories	36
Effective Resolutions	16
Emergency First Aid at Work	18
Employment Law for Managers	20
Finance for Non-Financial Managers	12
Food Safety Level 3	22
Investigations and Suspensions	29
Leadership Essentials	22
Mental Health First Aid	7
Performance Development Review	24
Radisson Rewards	27
Train the Trainer	7

IN ACTION

ATTRACTING SKILLED TALENT, CROATIA

In Croatia, we have responded robustly to the skill shortages of hospitality workers as a result of the pandemic. A combination of recruiting the full headcount for the start of the season (rather than ramping up recruitment as the season progressed) and scaling overseas recruitment is behind how the brand is futureproofing its approach to talent. Through responsible recruitment partnerships in Asia, for instance, more than 250 jobs (with accommodation and catering) have been created.

DIVERSITY, EQUITY AND INCLUSION (DEI)

Evidence shows increasingly that diverse businesses are more productive and resilient and DEI was cited as the most important social issue among our own investors during the materiality assessment (see pages 68 and 69). Empowering each team member to realise their full potential means creating working environments that are inclusive, fair and respectful.

Our Diversity Policy and approach to recruitment are designed to attract talent from all ages, genders and nationalities, ensuring equal representation through career progression levels. It is supported by a Human Rights Policy and Modern Slavery Statement (UK) and is reiterated through our Responsible and Ethical Sourcing Policy. Accordingly, we have incorporated DEI elements into our strategy. We practice equal pay everywhere we operate – that is, the same pay for the same work regardless of gender. However, as with many businesses, we see the legacy of men occupying more senior positions and we are working hard to see a complete gender balance work its way up to leadership through proactive development of female talent and succession planning. Meanwhile, in the UK we publish an annual gender pay gap report: pphe.com/responsibility/responsible-reporting, in line with the Equality and Human Rights Commission requirements. Our latest report reveals no pay gap between the median average hourly pay rate of men and women and that, when it comes to bonuses, the pay gap is significantly skewed towards women (-25% median bonus pay gap)[1].

A SPEAK OUT CULTURE

At PPHE, we want each person to feel they can speak up and that their voice will be heard. In 2022, pulse surveys found that employees were highly engaged (81%), with learning opportunities and a good working environment being cited as two key motivating factors.

Employees are free to unionise or access collective bargaining structures. For instance, in the UK, forums at team and national level facilitate constructive dialogue, alongside Unite Union representatives. In 2022, these fora focused on cost-of-living challenges and we are reflecting many recommendations in our new Work Life programme, as discussed above. Meanwhile, a new Joint Works Council was established in the Netherlands, representing employees at our six hotels and two work sites. We look forward to working with members of the Council this year.

HIGHLIGHTS

Best employer
in hospitality – The Caterer

81%
Employee engagement
In 2022, the Group introduced a new survey format

163
hires through our Career Centre walk-ins and 16 through charity partnerships

86
interns in the Netherlands

11
new apprentices in the UK

194
employees awarded a promotion

2022
in 2022, the Group introduced a new survey format

1 Median average is a more accurate metric than mean since it is not skewed by the larger number of men in senior leadership positions. We continue to address this legacy, as shown in this chapter.

RESPONSIBLE BUSINESS *continued*

OUR PLACES

OPENING UP OUR HOTELS AND VENUES POST-PANDEMIC IN 2022 BROUGHT MORE THAN 1,000 NEW JOBS TO COMMUNITIES AT A TIME WHEN THEY WERE ACUTELY NEEDED.

As well as our important economic contribution (see page 1 Highlights), we are also giving directly to local charities and causes, with a focus on local business, education, arts, sports and culture.

GRASSROOTS GIVING

We take a grassroots approach to giving, with each hotel or office taking decisions based on local needs or causes their people care about. Below are just some of the examples from 2022:

- Park Plaza London Waterloo: supporting the Southbank Waterloo Neighbourhood as a Steering Committee Member; forming a new partnership with grassroots community organisation Oasis Hub; and planting trees in urban parks and gardens.
- art'otel Amsterdam: donating redundant furniture to local nursing and social care charity Cordaan Woonzorgcentrum, for upcycling.
- Helping refugees through Lijnden Business Park and the homeless with bi-weekly soup kitchens.
- Park Plaza Victoria Amsterdam: participating in a food delivery programme for the elderly and lonely in the community.
- Holmes Hotel London: donating toys to the Baker Street Quarter Toy Appeal.

IN ACTION

WARM WELCOME FOR REFUGEES, CROATIA

In response to the humanitarian crisis in Ukraine, we were pleased to welcome around 250 Ukrainian refugees to our properties in Croatia, as well as around 70 refugees from other countries. We provided them with a safe and secure working and living environment.

IN ACTION

'Our London Corporate Office received a recycling award from paper-round.co.uk, officially saving 2,918 kg of CO_2 and 32 trees'.

2,918 kg of CO_2 and 32 trees saved.

MENTAL HEALTH AWARENESS

In the UK and Netherlands, we took action for community wellbeing. In the Netherlands, a 'Wellness Week' took place in June. In the UK, during May, we established 'Let's Connect' sessions allowing people to reach out to combat loneliness, and reconnect socially. In the Netherlands, a 'Wellness Week' took place in June. There were four elements to the initiative:

- Raise awareness: Help people to understand links between loneliness and poor mental health, and actively check in on those around us at work and in our communities;
- Invite conversations: Use the advice, information, and conversation starters provided by Let's Connect, and join the online community to foster conversations about mental health;
- Volunteer time: Help support Let's Connect by giving some time to provide administrative support for the service; and
- Ask others to act: Raising these issues within our communities and encouraging more people to get involved.

IN ACTION

CREATING LASTING ECONOMIC VALUE

The communities in which we operate realise short-, medium- and long-term benefits from our contribution.
This may be through accessing quality employment opportunities or skills training we provide.

We seek to be a net contributor of economic and social value wherever we do business.

Investing in places is not only the right thing to do, but it makes business sense. Building up the local pipeline of skills supports our own growth and resilience, while buying from community businesses reduces costs and carbon miles. In our sector, close community ties are also an increasing factor in positive guest experiences.

RESPONSIBLE BUSINESS *continued*

OUR PLANET

TRAVEL AND THE BUILT ENVIRONMENT ARE SIGNIFICANT CONTRIBUTORS TO CLIMATE CHANGE GLOBALLY.

HIGHLIGHTS

Scope 3
value chain footprint mapped

100%
renewable energy in UK, the Netherlands and Germany

Eco Rooms
initiative launched UK-wide

As a business in the real estate and hospitality industries–and reiterated in our recent materiality assessment – we have a duty to drive down energy and resource consumption, while protecting local habitats. This is not only imperative to meet stakeholder expectations, but eco-innovations often deliver bottom-line savings and reduced risk exposure.

ENERGY AND CLIMATE CHANGE

Carbon emissions were the number one ESG issue among our stakeholders in our 2022 assessment (see pages 68 and 69), with particular resonance among our Board, investors and communities. It is increasingly important to our guests, too, with many event customers expecting carbon disclosure and offsets as part of their package. A robust approach mitigates financial and energy security risk, while also building resilience to changing weather and travel patterns predicted in the future. What's more, energy efficiency and green innovations are, in today's energy markets, a source of competitive advantage.

As part of our aim setting Science Based Targets achieving net zero carbon emissions by 2040,we undertook a project with a specialist consultancy to monitor our energy use in hotels on a half-hourly basis. Our new strategic targets for energy and resource consumption are included below. Finally, for meetings and events, our carbon neutral partnership with Radisson Hotel Group and First Climate continued. Offsets supported high quality sustainable development projects in Europe, the Middle East, Africa, Asia Pacific and the Americas.

With all owned and managed hotels in the UK, the Netherlands and Germany sourcing electricity generated from 100% renewable sources (backed by UK REGOs, or European GoOs, as applicable), we continued to invest in energy efficiency technologies for heating and cooling (the majority of our GHG footprint), with more smart building management control systems optimising energy use based on occupancy, ambient temperature and other factors. These systems also improve our energy reporting.

In the last year, we saw progress towards our goal of net zero emissions by 2040. Direct (Scope1) and indirect (Scope 2) Greenhouse gas ('GHG') emissions rose slightly compared with 2021. This is due to the return of full occupancy,but we note our carbon output per kWh of electricity used has decreased significantly. Our many eco-efficiency initiatives go hand-in-hand with technological innovations that benefit customers, as discussed on page 19.
Value chain (Scope 3) emissions rose, also due to return to full operations. Please see our disclosure to the Task Force on Climate-related Financial Disclosures (TCFD) for further detail on Scope 1, 2 and 3 emissions for PPHE and AHG.

GREEN HOTELS

By incorporating green and sustainable building features into our properties, we not only meet our environmental goals, but we often also enhance the visual aesthetic of iconic buildings. Furthermore, eco-efficient materials and technologies on and inside buildings deliver large cost savings, while making the guest experience even better – for instance, digital check-ins are often quicker and smart meters in guest rooms enhance usability of in-room devices.

In 2022, a total of 25 Group-wide properties held sustainable accreditations or certifications. In the UK, we remain on track to achieve an 'Excellent' BREEAM sustainability rating for art'otel London Hoxton. The hotel will incorporate proven technologies and concepts to increase sustainability performance across energy, land use and ecology, water, health and wellbeing, pollution, transport, materials and waste.

3 GHG Scopes are as defined by the Greenhouse Gas Protocol.

> *We have continued to invest in solar energy, adding more panels to more sites and taking it further towards its goals of 30% solar and 5% energy self-sufficiency (and being carbon neutral by 2030).*

IN ACTION

SAVE WHILE YOU SLEEP, PARK PLAZA WESTMINSTER BRIDGE LONDON

As part of our membership of the Zero Carbon Forum, we launched Save While You Sleep at Park Plaza Westminster Bridge London. Designed to unlock the many opportunities to save energy at night, expert consultants conducted detailed observations and analysis during hours of darkness. They found that simple changes would deliver substantial energy savings, such as closing kitchens, conference rooms and gyms when not in use, dimming lighting in communal areas and reducing temperatures across the buildings.It was found that energy was being wasted in some unexpected places – for instance in bathrooms where mirror anti-steam filaments remained on unnecessarily. By deactivating these filaments, cumulative savings were achieved.

Park Plaza Westminster Bridge London will be saving around 525,000 kilowatt hours in a year with these low cost changes alone – that's the equivalent of nearly 100 tonnes of CO_2 and £262,000 in energy bills.

IN ACTION

GREENER CAMPING, CROATIA

In 2022, in Croatia we have made eco-upgrades across many of ours mobile homes and campsites. These included thermal insulation of façades and roofs, LED lighting retrofits and high performance variable refrigerant flow and 'split' systems for heating and air conditioning, as well as heat recovery technologies.

Meanwhile, we have continued to invest in solar energy, adding more panels to more sites and taking it further towards its goals of 30% solar and 5% energy self-sufficiency (and being carbon neutral by 2030).

RESPONSIBLE BUSINESS *continued*

GREEN ACCREDITATIONS AND CERTIFICATES

We are members of, certified to or supporters of a number of labels recognised by the Global Sustainable Tourism Council:

THE NETHERLANDS

Green Globe

Park Plaza Amsterdam Airport

Park Plaza Victoria Amsterdam

art'otel Amsterdam

Green Key

Gold
Park Plaza Eindhoven

Gold
Park Plaza Vondelpark, Amsterdam

UK

Green Tourism

Gold
Park Plaza Westminster Bridge London

Gold
Park Plaza Nottingham

Gold
Park Plaza County Hall London

Silver
Park Plaza Victoria London

Gold
Park Plaza London Waterloo

Silver
Park Plaza Leeds

Silver
Holmes Hotel London

Gold
Park Plaza London Riverbank

England Good To Go Award

Gold
Park Plaza Victoria London

GERMANY AND HUNGARY

Green Key

art'otel Berlin Mitte
art'otel Cologne
Park Plaza Berlin Kudamm
Park Plaza Berlin
Park Plaza Wallstreet Berlin Mitte
Park Plaza Nuremberg

CROATIA

Travelife

Gold
Park Plaza Belvedere Medulin

Gold
TUI BLUE Medulin

Silver
Park Plaza Histria Pula

Blue Flag

Yacht Beach
Park Plaza Histria Pula

WATER AND WASTE

Water was prioritised by stakeholders as one of our top material issues in 2022, with a particular emphasis from investors and peers, and a growing priority for guests. While we currently have no operations or development projects in countries of extreme water stress, we are committed to responsible water stewardship and our teams find ways of using, recycling and discharging water in ways that are socially equitable, environmentally sustainable and economically beneficial. As with our approach to energy and climate change, astute water management both mitigates risk and delivers cost benefits. Our hotels and venues invest increasingly in water-efficient technologies such as eco-taps and showers, smart meters and ozone room cleaning. When combined with cultural shifts such as our 'Save Tomorrow, Today' linen and towel reuse programme, alongside employee/guest awareness, cumulative savings continue to be achieved.

Waste management was among the top five material issues identified in our 2022 stakeholder consultation. It was particularly important to investors and lenders, and increasingly important to guests. During the last year, our efforts to eliminate single-use plastics from hotels and employee sites continued apace, with sustainable alternatives identified from breakfast buffet packaging to toiletry dispensers and staff canteen cutlery. We also amplified wider eco-efficiency efforts, including:

- biodegradable straws and cups;
- digital check-in/out and mobile keys for guests;
- 'smart rooms' across several of our hotels in Croatia harnessing the Internet of Things to enable guests to control lights and air conditioning in their rooms;
- QR codes replacing restaurant menus and guest directories;
- e-invoicing to replace paper;
- biodegradable toiletries and detergents;
- optimised waste collections based on bin occupancy levels; and
- reusable laundry bags.

With food waste representing an emotive social issue, as well as an environmental one, many of our properties have found innovative ways to reduce or eliminate organic kitchen waste, while increasing the proportion of seasonal, local food with lower carbon miles (see page 11). For instance, the Park Plaza Victoria Amsterdam is implementing 'circular cooking' in its kitchens, eliminating food scraps by designing menus that maximise ingredient use and prepare fruit and veg with minimal waste.

Conserving resources and reducing waste also extends to our buying practices. Our Responsible and Ethical Sourcing Policy outlines our expectations of suppliers and, in 2022, more hotels established their own sustainable procurement policies and initiatives, emphasising local requirements. For instance, in Croatia we launched sustainably-sourced hamburgers and coffee sourced directly from growers in Guatemala. We will deepen this work in the year ahead to reflect the strategic importance that our stakeholders place on sustainable procurement.

BIODIVERSITY

It is in the interests of our guests and our reputation to look after the natural environments in and around our properties. Investing in biodiversity enhancements not only make spaces more visibly appealing to guests and communities, but it also contributes to our climate goals (see pages 70 to 73) by removing atmospheric CO_2. Attracting wildlife and incorporating live plants and trees within our properties is part of the planning and operational decisions for any hotel or resort. Each year, we add more green roofs and walls, insect hotels and bee hives. At Park Plaza Waterloo in London, for instance, dessert menus feature honey from the rooftop hives with 10 kilogrammes being harvested for our diners in 2022.

IN ACTION

ECO ROOMS, UK

In 2022, we were proud to launch Eco Rooms across all of our UK brands. Guests staying for a minimum of two nights are asked to help us reduce the amount of water, power and detergent we use by choosing not to have any housekeeping services. In return, the hotel donates €/£1.00 per night to our nominated charity Just a Drop, while guests can choose from a range of rewards.

In the programme's first three months alone, nearly £14,000 was donated, with PPHE selecting a hygiene and sanitation project in Siem Reap, Cambodia. The money will pay for 30 latrines across three communities in the area, greatly improving life quality for 129 people and, in turn, contributing to three UN SDGs.

IN ACTION

BUILDING DROUGHT RESILIENCE, CROATIA

With summer droughts becoming increasingly frequent in Croatia, we are investing in water self-sufficiency. By building two desalination plants at its properties in Pula and Medulin, AHG will be able to convert sea water into fresh water for use in the maintenance of its gardens and landscapes.

In a region that is increasingly prone to drought, the pay-back on desalination plants will be rapid, positioning us at the forefront of a sustainable future.

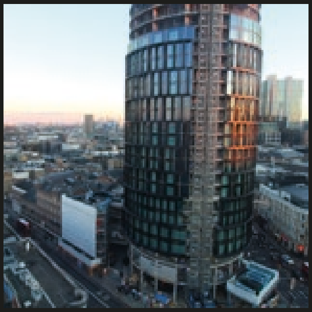
RESPONSIBLE BUSINESS *continued*

OUR NEW ESG STRATEGY

WHILE THIS OVERVIEW HAS PRIMARILY LOOKED BACK TO 2022 PROGRESS AGAINST THE PEOPLE, PLACES AND PLANET FRAMEWORK, WE TAKE THIS OPPORTUNITY TO INTRODUCE OUR NEW ESG STRATEGY TAKING US FORWARD IN A CHANGING WORLD.

The strategy takes forward previous goals, whilst setting new ambitious targets and improving internal monitoring and reporting at hotel level. It also elevates the importance of supply chain, as emphasised by stakeholder consultation. It is structured around four impact areas, underpinned by responsible governance:

PILLARS



PROPERTIES: Build and manage sustainable hotels and guest experiences.

Local **COMMUNITIES:** Strengthen local economies and environments.

Resilient **SUPPLY CHAIN:** Create a resilient supply chain whilst reducing its carbon footprint.

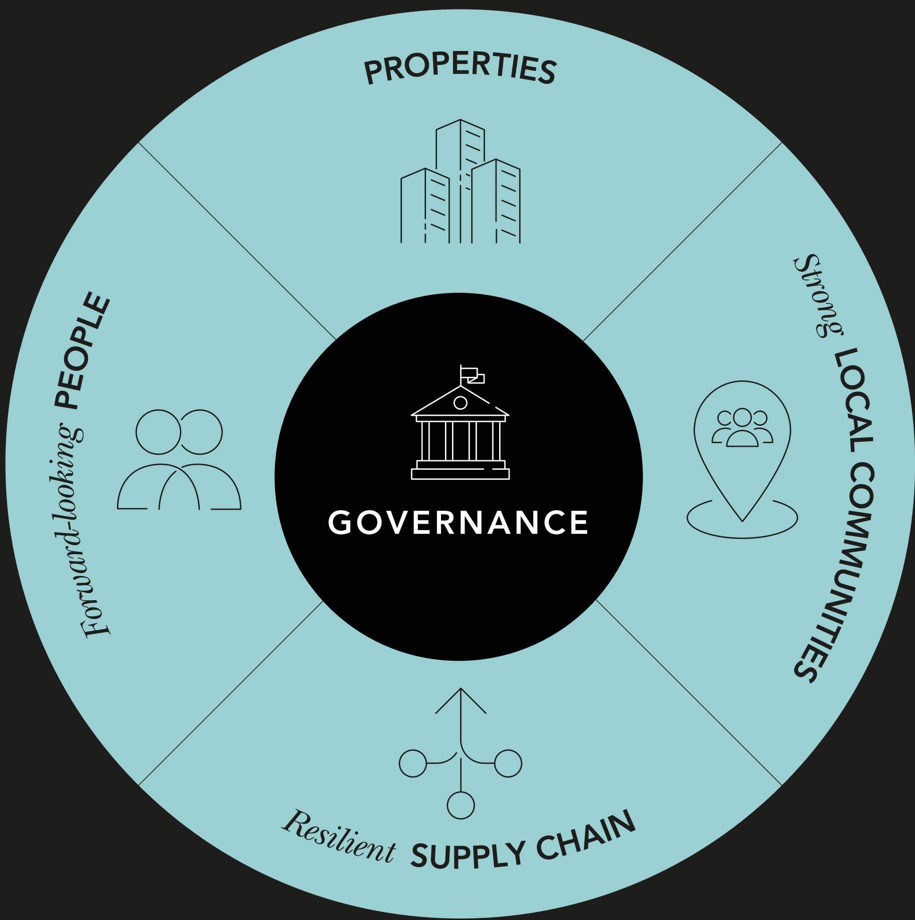
Forward-looking **PEOPLE:** Develop a diverse and forward-looking workforce.

Responsible **GOVERNANCE:** Implement transparent and independent governance structures that enable the achievement of the UN Sustainable Development Goals.

Reflecting the particular local ESG issues within each country we operate in, our brands may adopt their own sustainability plans. For example, in 2022 the Arena Hospitality Group began the process of setting a sustainability strategy that would support its long-term competitive advantage in Croatia. This involved undertaking its own materiality assessment and establishing ESG governance structures. Find out more in the Arena Annual Report and Accounts available on their website arenahospitalitygroup.com.

ELEVATING TRANSPARENCY AND ACCOUNTABILITY

In our materiality assessment (see following page), stakeholders highlighted the need for a more direct, strategic approach to elevate transparency and accountability. This is why we have set in place a dedicated governance structure to oversee and deliver on our strategic priorities. We have also committed to greater disclosure, as evident in this report's TCFD and SECR climate disclosures. By ensuring that our approach and progress – whether positive or negative – are in the public domain, we are future-ready for emerging regulation and best practice principles.



RESPONSIBLE BUSINESS *continued*

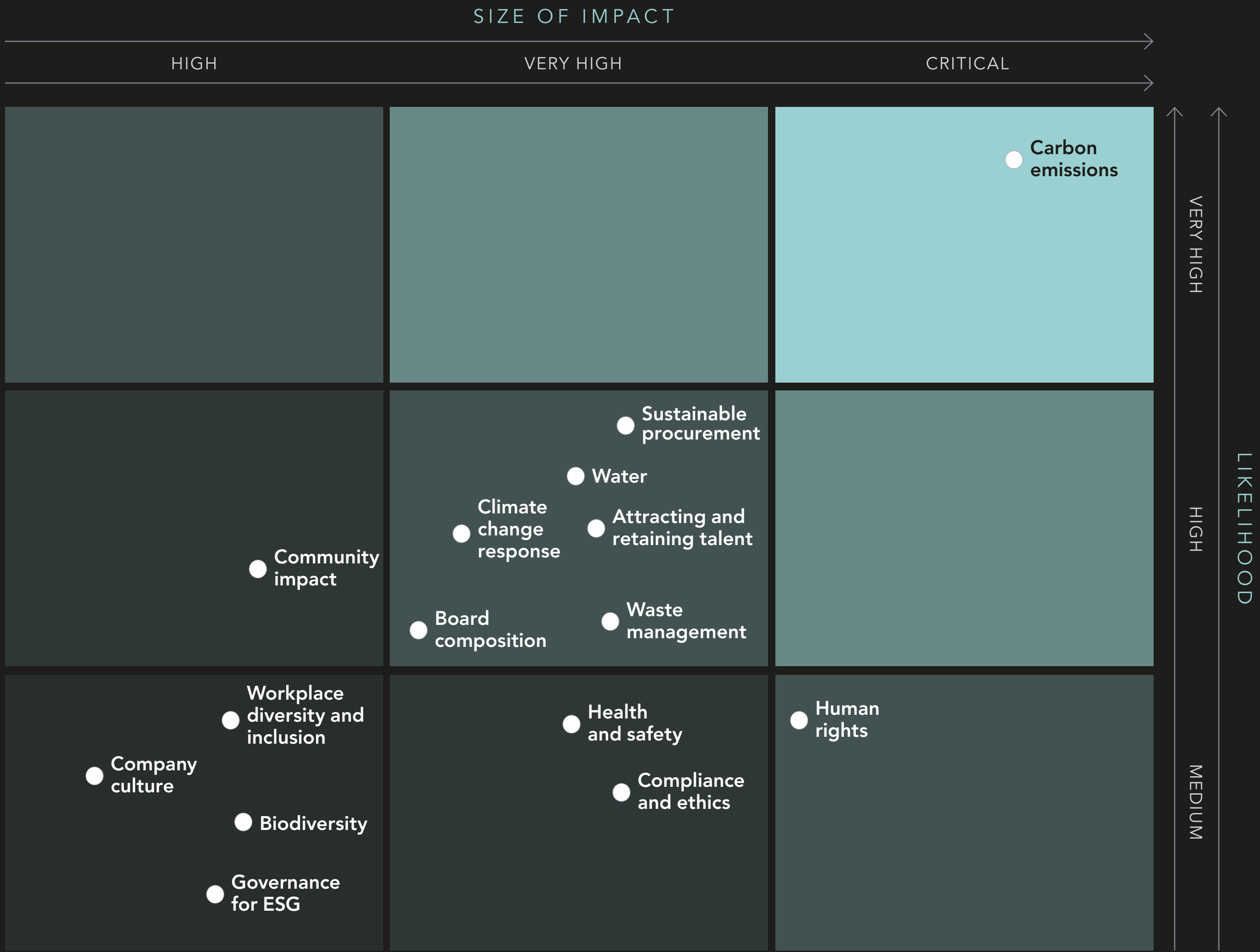
OUR MOST MATERIAL ESG ISSUES

A STRATEGY ROOTED IN MATERIALITY

Our new ESG strategy addresses 15 material risks and opportunities. These were identified through a robust materiality assessment of stakeholder ESG priorities conducted by external specialist consultants during 2022.

The prioritisation of issues shown in the matrix below forms the basis of our work this year to formalise targets and key performance indicators.

THE SCORING MATRIX (LIKELIHOOD AGAINST POSITIVE AND NEGATIVE FINANCIAL AND IMPACT MATERIALITY) OF THE MATERIAL ISSUES



OUR ROBUST PROCESS

A 'double materiality' process examined the impact that PPHE has on the environment, people and economies.

01

Identify potential material issues relevant to PPHE, sourced from global ESG trends, reporting frameworks, peer review, available information from PPHE, and sector benchmarks.

02

Identify PPHE's most relevant stakeholders for the materiality assessment.

03

Review existing engagement channels for each stakeholder group, reviewing the questions for their relevance to ESG issues. Where gaps existed, we supplemented existing engagement with a mix of surveys, interviews and desktop review.

04

Based on an analysis of stakeholder responses, to consolidate the initial longlist of material issues into a shorter, curated list of relevant issues to rank. To hold scoring sessions to score the issues based on impact (positive or negative) and likelihood.

05

Once the final list of issues was validated and agreed internally, the most material issues were prioritised for action and reporting.

RANKED ISSUES AND DEFINITIONS

Carbon emissions

Mitigating climate change risk by reducing GHG emissions and harnessing net zero opportunities.

Sustainable procurement

Responsible sourcing of materials, goods and services, and engaging with suppliers on ESG.

Water

Conserving water and protecting water courses around our properties, particularly in water-stressed regions.

Attracting and retaining talent

Creating inclusive and empowering workplaces, and recruiting through innovative channels.

Climate change response

Designing for climate resilience and considering Greenhouse Gas ('GHG') emissions through the life cycle of properties.

Waste management

Minimising waste at source through resource efficiency, recycling and sustainable building design.

Board composition

Diverse leadership to drive ESG strategy and innovation for a resilient future.

Human rights

Protecting the legal rights of employees and contract workers, including freedom from discrimination and labour abuses.

Community impact

Investing in thriving neighbourhoods through social value creation, philanthropic giving and supply chain development.

Compliance and ethics

Adhering to all regulations, laws, codes and principles of best practice relating to our sector and operating jurisdictions.

Health and safety

Keeping guests, employees and contract workers safe, and investing in their wider health and wellbeing.

Workplace diversity and inclusion

Practising equal opportunities in recruitment, selection, development and succession planning.

Biodiversity

Attracting wildlife and incorporating nature within our properties, from planning to operational use.

Company culture

Operating with unifying values and a shared purpose that make PPHE unique.

Governance for ESG

Guiding decision-making with skilled leadership and transparent structures of accountability.

TCFD REPORTING

THE LISTING RULES (LR 9.8.6R) REQUIRES THE COMPANY TO INCLUDE A TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) STATEMENT IN THE ANNUAL REPORT.

This summary includes climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures (10 of the 11 recommendations). The 2040 net zero target included in the ESG strategy will allow us to provide a full disclosure for all the Metrics & Targets recommendations once verified by the Science-Based Targets Initiative (SBTi).

TCFD REPORTING – MANAGING OUR CLIMATE-RELATED RISKS AND OPPORTUNITIES

This is a summary of our standalone TCFD report, which will be made available on our website, which provides full details on all our processes and actions.

The TCFD guidelines provide a framework for assessing climate-related risks and opportunities and disclosing how managing them has been integrated into existing business practices based on four key areas: governance, strategy, risk management and metrics & targets.
Following these recommendations ensures that monitoring and responding to climate-related changes becomes integral to how we manage our business.

In 2022, we have focused on developing a robust net zero strategy and targets. As part of this, we have introduced new initiatives, which will help us to assess the financial impact of becoming a low-carbon business and plan for the future. We are in the process of setting a budget for our net zero strategy. As part of this, we have been researching and testing various elements of our strategy, to ensure a robust understanding of the capital and operating expenditure required.
This financial year, we joined the Zero Carbon Forum and the Energy and Environment Alliance, to provide expert support in developing our net zero goals. In 2023, we will publish the targets and strategy we have set based on this research. These will align with the Zero Carbon Forum's goal of net zero by 2040.

GOVERNANCE

Climate change and the transition to a low-carbon economy are included in our Enterprise Risk Management framework as emerging risks (see page 74). This ensures climate related risks are a core part of our risk management and business strategy, and that we are agile in responding to them. It also ensures that our strategy has transition to a low-carbon economy integrated into it.

The Board has responsibility for the Group's strategic and financial policies and for promoting the long-term sustainable success of the Group, generating value for shareholders and contributing to the wider society in which the Group operates in line with its social responsibility policies.
We believe that responding to climate change is an important part of this process.
Our governance structures ensure that executive remuneration incentives determined by the remuneration committee include ESG elements.

Overall responsibility for climate-related matters has been assigned to the Chief Corporate & Legal Officer, Inbar Zilberman, who reports to the Board. Her responsibilities include overseeing compliance with TCFD reporting requirements and ESG arrangements, practices and procedures.
In 2022, this included the materiality assessment of stakeholder ESG priorities, and the feeding of this analysis into new targets to which the organisation will be held accountable by those stakeholders.

Our Audit Committee oversees and advises the Board on the Group's risk exposure, risk appetite and future approach to risk. As part of this, it assists in monitoring financial and non-financial climate-related risks and is responsible for tracking changes in this area that could alter the risk profile. In November 2022, routine functional risk updates were conducted with all internal departments by the Head of Internal Audit and Risk and the results were reported to the Audit Committee. This process raised no new comments or concerns about climate-related risks.

Our ESG Committee is tasked with developing and evaluating climate-related policies for the Group. The Committee discusses updates on climate-related issues with the Executive Leadership Team, approved the strategy and targets developed by the Chief Corporate & Legal Officer and reviews the TCFD disclosure in February each year. It also oversees the ESG strategy, and ensures stakeholders are consulted on sustainability activities and monitors how these are reported internally and externally.

We want to ensure that business responsibility is embedded in our day-to-day operations. We, therefore, include training on our Responsible Business strategy as part of our 'Feeling Welcome' induction programme for new team members. We encourage team members to take accountability for acting responsibly, and this forms part of how we recruit, develop, assess, promote and reward them.

STRATEGY

We recognise that climate change is a complex issue and acknowledge our responsibility to minimise our impact on the planet. Therefore, we are committed to reducing our environmental impact and carbon footprint. That is why we are setting net zero targets. As a company that develops, owns/co-owns and manages many of our properties, we are uniquely positioned to integrate sustainability into our business from the point of development through to day-to-day operations. We believe that taking sustainability seriously can offer long-term value for all our stakeholders.

Government commitments to reduce carbon emissions are expected to lead to further developments and changes in regulation across travel and tourism, construction and property management. Climate risk assessment is, therefore, an important part of ensuring our business strategy is sustainable in the long term.

CLIMATE SCENARIO ANALYSIS

Climate Scenarios

In 2022 we have repeated the detailed climate scenarios analysis conducted in 2021 to assess any changes to the likelihood or impact of the risks we identified. We have considered the improvements to the physical risk modelling, policy and regulation developments. We have concluded that although climate scenario models have been updated for our time scenarios, our risk impact and likelihood scores remain the same year-on-year. However, we have expanded our financial modelling of the impacts and included details on our horizon scanning for emerging risks.

We have considered the risks and how the impacts change over time for each of the below scenarios:

– Below 2°C – high levels of transitional risks but limited physical risks.

– 2-3°C – the highest level of transitional risks with some physical risks.

– Above 3°C – limited transitional risks but the highest level of physical risks.

Time Horizons

Due to the long-term implications of climate change, which go beyond usual business consideration, the risks were considered across three-time horizons:

– Short term – 2022-2027

– Medium term – 2027-2037

– Long term – 2037-2052

Taking our analysis to 2050 and beyond ensures we are covering the potential impacts of the UK Government's commitment to being net zero by 2050.

KEY CLIMATE-RELATED RISKS TO PPHE FOR WHICH MITIGATING ACTIONS ARE IN PLACE DISPLAYING ASSESSMENT OF RESIDUAL RISK

Transitional risk	Timeline	Likelihood	Financial Impact
Negative stakeholder perception if PPHE is not seen to be doing enough on climate-related matters	Short/ Medium	Unlikely	Moderate*
Exposure to carbon pricing	Short/ Medium	Almost Certain	Minor**
The increasing influence of climate-related matters on customer preferences and market demand	Short	Almost Certain	Minor**
Increased material costs	Short/ Medium	Almost Certain	Minor**

* Moderate – £1.2m – £6m (annual impact)
** Minor – <£1.2m (annual impact)

Our climate-related risks

The findings of the climate scenario analysis were presented to the Vice President of Procurement, the Head of Compliance and the Head of Internal Audit and Risk in a climate-related risk workshop in October 2022. It was determined that there had been no material changes to the gross risk assessment this year.

Transitional risks

We identified and assessed six potential transitional risks. The four shown in Table 1 were determined to be our key risks. There are controls and mitigation in place for these already. Two additional risks are being monitored, the risks of increased regulation and potential cost and disruption from phasing out non-renewable energy sources. We are monitoring these to ensure we can respond promptly should the risk level change.

Physical risks

There are five potential physical risks to our hotels and resorts: flash flooding, rising mean temperatures, water stress, coastal flooding (for Amsterdam) and forest fires (for Belgrade / Pula). We are witnessing rising mean temperatures and are monitoring the potential implications for our operations, but this is currently deemed a low impact.

In the short to medium term, the other risks are not considered likely, but we will continue monitoring them, to ensure we implement mitigating actions, as required.
Existing controls, including insurance and crisis management plans, will continue to be assessed for adequacy.

OUR CLIMATE-RELATED OPPORTUNITIES

At PPHE, we believe that climate change presents opportunities for us to differentiate ourselves as a business, by providing environmentally responsible offerings to our customers. We already offer carbon-neutral meeting rooms, support active and sustainable travel for our guests and provide rewards for those choosing to reduce the environmental impact of their stay. We are continuously improving the efficiency of our operations, which helps to reduce our environmental footprint and operational costs.

In 2022 we have upgraded our systems to allow detailed, half-hourly reporting on energy consumption, allowing us to identify and reduce unusual or excessive energy consumption. We have installed our first heat pump, a step towards the long-term removal of gas usage from our properties.

TCFD REPORTING *continued*

RISK MANAGEMENT

Climate change is integrated into our risk management framework as both an independent risk and a risk driver, potentially exacerbating several of our principal risks. We do not want to increase our exposure to environmental and climate-related risks. We are committed to the transition to a low-carbon economy, so it is important that we are carefully monitoring and assessing the risks associated with climate change.

We have a detailed report on the Enterprise Risk Management framework on pages 74, with updated prioritisation based on impact, likelihood and mitigation actions, which are reviewed quarterly, and the financial exposure each risk carries. An executive or senior manager is responsible for each risk, to introduce sufficient mitigation measures, or adapt the business to opportunities.

This financial year we engaged the Zero Carbon Forum to model and identify climate-related risks to our strategy, objectives, assets and business operations. The climate modelling considered physical and transitional risks on both a Group and site level. We have commenced integrating financial modelling, supply chain risk analysis and horizon scanning into our climate-related risk management this reporting year.

METRICS & TARGETS

Since 2011, we have been recording and measuring our carbon emissions and energy use to better understand how to manage our climate footprint. Our internal energy and water monitoring platforms support the tracking and managing of climate data across our hotels. Improving data collection and understanding our impact continues to be a top priority for the Group. We are currently developing the environmental metrics which will allow us to monitor and compare individual hotel performance on a monthly basis.

Climate change is on the global agenda, and companies must act and do their part. However, tackling climate change cannot be done through the actions of a few companies. It requires collaboration across our industry. That is why we work with the industry bodies such as the Sustainable Hospitality Alliance, Zero Carbon Forum and Energy and Environment Alliance, to take coordinated action to preserve our planet for the future.

The Zero Carbon Forum have assisted us in our energy use modelling. They use the GHG Protocol Corporate Accounting and Reporting methodology to calculate our Scope 1, 2 and 3 emissions. This financial year, we have again calculated our carbon balance sheet, with an improved approach for more accurate emission calculations. This covers all applicable categories, including 1 (purchased goods and services), 2 (capital goods), 3 (fuel-related emissions), 4 (upstream transportation and distribution), 5 (waste generated in operations), 6 (business travel), 7 (employee commuting), 8 (upstream leased assets) and 13 (downstream leased assets). Our full carbon balance sheet is provided in the standalone TCFD report.

We are in the process of setting our net zero targets, with the support of external consultants and industry bodies. It is important to PPHE that these targets are ambitious yet achievable, based on a thorough understanding of our current position and a strategy for achieving substantial long-term reductions in our carbon emissions.

Emissions:

- Net zero by 2040 in line with the Zero Carbon Forum.
- Interim targets to be set in 2023.
- Submit our net zero targets to the SBTi for approval in 2023.

Waste:

- Removing single-use plastics from our hotel rooms by 2026.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The requirements of SECR, imposed by the 2018 Regulations on quoted companies and on large unquoted companies and large LLPs, apply to reports for financial years starting on or after 1 April 2019. This SECR report contains energy and transport consumption, emissions along with requirements of intensity ratio, methodologies and a narrative on energy efficiency action.

Where Guernsey registered businesses are exempt from UK reporting requirements, the Company discloses as required by UK Government Environmental Reporting Guidelines (March 2019) on a voluntary basis, this disclosure for the period 1st January 2022 - 31st December 2022 includes:

- Global energy use (gas, electricity and transport, including UK offshore area, combustion of fuel, process emissions, fugitive emissions)
- Associated greenhouse gas emissions
- Intensity ratio
- Previous year's figures for energy use and GHG emissions.
- Methodologies used in calculation of disclosures.
- Information about energy efficiency action taken in the organisation's financial year.

The Company has followed the GHG Protocol – Corporate Standard along with emission factors and other relevant information from the UK Government GHG Conversion Factors for Carbon Reporting guidelines. We have utilised all verifiable data available to us however in the rare occasions where this has not been possible we have estimated data by using approved approaches as recommended in the SECR Guidelines such as direct comparison, pro-rata extrapolation or benchmarking.

Scope 1 emissions and consumption relate to the direct combustion of gaseous and transportation fuels by the company.

Scope 2 emissions and consumption relate to the indirect emissions associated with purchased electricity used in our hotels and offices.

Scope 3 emissions are indirect emissions associated with the products and services we purchase throughout the year. Although we do not have direct control of these emissions, we are actively working with our supply chain to plan how we can lower these emissions. A major project is underway to gather and calculate all scope 3 emissions for the period 1st October 2021 – 30th September 2022 (and therefore not published in table 2) in order to identify our major Scope 3 emissions sources, and allow for targets and strategy for reduction.

Out of scope emissions: all fuels with biogenic content (such as 'Diesel and petrol (average biofuel blend)') should have the 'outside of scopes' emissions reported to ensure a complete picture of an organisation's emissions is created. However, these are not required to be included in the organisations emissions total. The Out of Scope emissions for PPHE Hotel Group are 0.2 tonnes of CO_2e for transportation.

Tables containing the 2022 SECR data are on the right.

UK ENERGY AND CARBON – TOTAL EMISSION SCOPE SUMMARY

Emission type	Total volume (kWh)	Calculated emissions (Tonnes of CO_2e)
Scope 1 (direct)	24,329,162	4,445.33
Scope 2 (indirect)	30,098,279	5,820.41
Scope 3 (indirect)	0	0
Total	**54,427,441**	**10,265.74**

SCOPE 1 EMISSIONS (DIRECT)

Emissions from activities owned or controlled by the Company that release emissions into the atmosphere

Energy type	Definition	Total volume (kWh)	Calculated emissions (Tonnes of CO_2e)
Gas	Emissions from the combustion of gas	24,238,065	4,424.42
Transport	Emissions from the combustion of fuel for transportation	91,097	20.92
Other fuels	Emissions from combustion of fuel for stationary machinery & engines	–	–
Refrigerants	Emissions as a result of leakage from air-conditioning/refrigeration units	–	–
Total	–	**24,329,162**	**4,445.33**

SCOPE 2 EMISSIONS (IN-DIRECT)

Emissions released into the atmosphere associated with the consumption of purchased electricity, heat, steam and cooling. These are indirect emissions that are a consequence of the Company's activities, but which occur at third party locations.

We are excluding emissions from non-renewable contracts in market based calculations as this is a de minimis figure of 0.32% of emissions equating to 18.63 T/CO_2e.

Energy type	Definition	Total volume (kWh)	Calculated emissions (Tonnes of CO_2e)
Electricity	Emissions from purchased electricity – Location Based	30,098,279	5,820.41
	Emissions from purchased electricity – Market Based	30,098,279	0
Total	–	**30,098,279**	**5,820.41**

YEAR ON YEAR COMPARISON

	Year 1: 2020	Year 2: 2021	Year 3: 2022
Total emissions (TCO_2e)	8,379	8,680	10,266
Total energy (kWhs)	39,991,198	43,618,708	54,427,441
Intensity ratio	61.39	61.39	54.00

PPHE'S HOTEL GROUP GLOBAL SCOPE 3 EMISSIONS

	2022	2021
UK	12,134	8,547
NL	2,622	1,443
Arena Hospitality Group	9,536	9,634
Total	**24,292**	**19,623**

Intensity Ratios – Weighted average carbon intensity (WACI) measures carbon emissions with context to our business. Using a WACI allows for better compatibility for investors across our industry. Monitoring carbon intensity across various outputs is important to assess our performance against business growth. We monitor our intensity based on rooms and occupancies to remove the dependence on any fluctuation in our financial performance.

The Intensity Ratio is calculated by Tonnes of CO_2e / total revenue (£m), where total revenue is £190m, providing an intensity ratio (tCO_2e / Total Revenue) of 54.00.

PPHE provides relevant data to third parties who use this to calculate our emissions. No formal assurance was provided.

Quantification and Reporting Methodology

The Group 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 our energy suppliers and half-hourly (HH) data, where applicable, for the HH supplies (there was no estimation profiling required). For supplies where there wasn't complete 12 month energy usage available, flat profile estimation techniques were used to complete the annual consumption. Transport mileage data was obtained from expense claims submitted for our company cars and grey fleet.
CO_2e emissions were calculated using the appropriate emission factors from the UK Government GHG conversion information. Please note a small amount of meters were not on a renewable contract, equating to 0.32% of total emissions, hence have been excluded from the market based calculations. Mileage or fuel usage of transport was not available, instead fuel expenses and forecourt prices were used.

OUR APPROACH TO RISK MANAGEMENT

OUR EMBEDDED AND PROACTIVE APPROACH TO RISK MANAGEMENT CONTINUES TO HELP US NAVIGATE THE SIGNIFICANT CHALLENGES WE FACE.

As our business performance and growth potential strengthen, our proactive risk management practices and reporting ensure that key business decisions are taken with full knowledge of both our existing risk environment and any emerging threats which could have a notable impact on our business.

Risk sits firmly on the agenda of our monthly Executive Leadership Team meetings, where all areas of the business are represented. This provides a forum for understanding the interconnecting nature of our enterprise level risks and ensures a cohesive risk response. Executive leadership takes a forward-thinking and flexible approach to risk management which means emerging threats are recognised and responded to quickly.

During 2022, our risk profile has been changing constantly, largely driven by macro-economic and geo-political factors. Executive leadership takes a proactive approach to monitoring these external drivers and considers them in its regular risk forums, where the risks are reassessed and actions prioritised.

Our solid foundation of risk awareness meant that many business projects and activities throughout 2022 were focused on reducing or containing our key risks and ensuring that we are aware and ready to adapt to any future risks emerging.

This year we have invested in our in-house recruitment team, opening a dedicated hospitality career centre (recruitment office) in London, and delivered several initiatives to enhance team member engagement and retention. We have introduced new IT security measures and monitoring tools, and continued projects to improve the resilience of our technology. To combat spiralling energy costs and improve our impact on the environment, we have introduced energy-efficiency initiatives and invested in new technology to reduce energy consumption in our least efficient properties.

OUR RISK MANAGEMENT FRAMEWORK

Our established Enterprise Risk Management (ERM) framework supports the pursuit of our objectives through enabling informed and calculated risk-taking, while protecting our financial strength and reputation. The ERM framework defines clear accountabilities through our risk governance model and our risk management process.

OUR RISK REWARD STRATEGY

Our Risk Reward strategy, which articulates our risk appetite across various business activities, is aligned to our strategic objectives. It has been reviewed by the Board and remains unchanged.

RISK REWARD SUMMARY

Risk appetite levels	Definition	Business activities
Active	We will **actively seek** to take calculated risks in this area in pursuit of our strategic objectives, as long as the associated benefits significantly outweigh the risk impact and the risk remains within our tolerances. We will apply appropriate safeguards when pursuing these opportunities.	– Acquisitions and development opportunities
Neutral	We will **take on a limited increased exposure** to risk in pursuit of our strategic objectives as long as the associated benefits outweigh the risk impact and the risk remains within our tolerances. We will apply appropriate safeguards when pursuing these opportunities.	– Development projects (construction) – Working with third parties – Funding – Technological change/development – Commercial and promotional
Averse	We are **unwilling to take** any actions or pursue any opportunities that would increase our risk profile in these areas.	– Environmental impact – Responsible and ethical sourcing – Human rights – Operations – continuity of service and delivery of intended guest experience – Processing personal data – Compliance – Tax reporting – Financial control

OUR APPROACH TO RISK MANAGEMENT *continued*

OUR CHANGING ENVIRONMENT – RISK DRIVERS AND EMERGING THREATS

Our risk backdrop is one of uncertainty, with a major war, steep inflation, volatile energy markets and global supply issues, a cost-of-living crisis, rising interest rates and political instability.

Our Executive Leadership Team considers emerging threats that could have a material impact on the business in the future, alongside our existing risks, with a view to improving our response plans and exploiting potential opportunities.

- **Imminent/Short** – Some impacts already seen/significant impact to our business could be expected within 2 years
- **Future** – Significant impact to our business could be expected beyond 2 years.

IMMINENT/SHORT TIME HORIZON

The near-term risk drivers and emerging threats already influence our principal risk assessments and the prioritisation of our risk actions. We view further geo-political and economic turmoil as the most prevalent risk driver for the next two years and are focused on remaining resilient and achieving growth in the face of the challenges it brings.

FUTURE TIME HORIZON

Many of the threats that we view to be emerging over a longer time horizon relate to environmental issues. With climate induced disasters increasing in frequency and magnitude, we would expect increased government action to reduce carbon emissions across all of our regions. Within our TCFD report we highlight both the transitional and physical climate related risks our business could face.

MARKET

- Hospitality market volatility
- Increased guest/consumer concern regarding their individual environmental footprint
- Labour shortages and barriers to hospitality labour markets
- Shifting global supply chain
- Pressure on cost of international travel from rising fuel prices and carbon taxes

SOCIAL, GEO-POLITICAL, ECONOMIC, AND ENVIRONMENTAL

- Threat of prolonged global recession
- Escalation of war in Ukraine
- Further stress on availability and cost of energy
- Inflation, interest rate pressure and financial market volatility
- Geo-political instability
- Social unrest and mass migration
- Increased climate related incidents
- Loss of biodiversity

TECHNOLOGY

- Evolving cyber threats – criminal and state sponsored
- Technological change for the hospitality and/or property sectors

FINANCIAL, LEGAL AND REGULATORY

- Post Brexit regulatory change
- Corporate Governance reform
- Climate related regulatory change – transition to low carbon economy
- Refinancing of debt

PRINCIPAL RISKS AND UNCERTAINTIES – AT A GLANCE

Movement from last year: ↔ Unchanged ↑ Increased ↓ Reduced

	Principal risks for 2023	Inherent risk assessment	Residual risk assessment	Since last year	Commentary on movements	Interconnected risk dependency	Oversight responsibility
1	Difficulty in attracting, engaging and retaining talent (page 84)	High	High	↔		3. Adverse economic climate 11. Negative stakeholder perception – ESG matters 12. Serious threat to guest, team member or third party health, safety and security	DCEO & COO
2	Undetected/unrestricted cyber attack (page 81)	Very High	High	↔			CFO
3	Adverse economic climate (including steep cost increases) (page 78)	High	High	↔		5. Market dynamics	CFO
4	Significant development project delays or unforeseen cost increases (page 80)	Very High	High	↑	Inflationary pressure and supply chain challenges combine to increase our residual risk assessment in respect of potential development project cost increases.	3. Adverse economic climate	DCEO & COO
5	Market dynamics – significant and prolonged decline in global travel and market demand (page 79)	High	High	↓	Strengthened trading throughout 2022 with high Average Daily Rates achieved and positive forecasts for 2023 indicate a slight reduction in this risk compared compared with last year.	3. Adverse economic climate	EVP Commercial Affairs
6	Technology disruption – prolonged failure of core technology (page 82)	High	Medium	↔		2. Undetected/unrestricted cyber attack	CFO
7	Funding and liquidity risk (including breach of debt covenants) (page 79)	High	Medium	↓	Strengthened trading throughout 2022 and positive forecasts for 2023 have eased the risk of breaching debt covenants. With most loan facilities on fixed terms, the impact of increased interest rates is minimised in the medium term.	3. Adverse economic climate 5. Market dynamics	CFO
8	Fraud (page 80)	High	Medium	↑	In the current volatile business and economic environment, the inherent threat of fraud occurrences could be heightened. Our focus on internal controls means we assess the residual risk to be very unlikely but consider that the potential impact could be severe.	1. Difficulty in attracting, engaging, and retaining talent 3. Adverse economic climate	CFO
9	Serious data privacy breach (GDPR) (page 82)	Very High	Medium	↓	Introduction of monitoring technology/tools for company devices and systems, alongside refreshed mandatory training, have reduced our residual impact assessment. The risk remains closely linked to cyber threat, as one of several potential consequences of a cyber attack.	2. Undetected/unrestricted cyber attack	CCLO
10	Significant operational disruption (page 83)	High	Medium	↓	The reduction in assessment reflects easing concerns of wide scale operational disruption following the Pandemic. Business critical supply chain concerns are also judged to have reduced.	1. Difficulty in attracting, engaging and retaining talent 2. Undetected/unrestricted cyber attack 6. Technology disruption	DCEO & COO
11	Negative stakeholder perception of the Group with regard to ESG matters (page 84)	High	Medium	↔		1. Difficulty in attracting, engaging and retaining talent	CCLO
12	Serious threat to guest, team member or third party health, safety and security (page 83)	High	Medium	↔			DCEO & COO

OUR APPROACH TO RISK MANAGEMENT *continued*

PRINCIPAL RISKS AND UNCERTAINTIES – DETAIL

The tables below detail our principal risks and uncertainties for the year ahead. The reported risks are those we consider could have the greatest impact on our business and represent the most significant threats to the achievement of our objectives. This is not an exhaustive list of all risks identified and monitored through our risk management process, which includes the consolidation of underlying functional and subsidiary risk registers into a single view of risk reported to the Board. Our risk level 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.

STRATEGIC BLOCKS

1. Core, Upper End City Centre Hotels – growth plan and opportunity pipeline
2. Leisure and outdoor hospitality – further expand our offering
3. Hospitality management platform – diversify revenue generation through further opening our expert management platform to third parties

STRATEGIC PILLARS AND ENABLERS

4. Diversification of property portfolio
5. Non-dilutive capital approach – flexibility in how we acquire, purchase or develop assets
6. People and culture – entrepreneurial, people-oriented and creator culture to underpin growth agenda
7. Guest satisfaction – memorable and superior guest experiences
8. ESG – meaningful ESG impact for the benefit of all stakeholders
9. Restaurants and Bars – destination-led restaurant and bar experience with ambitious growth plans

Movement from last year: ↔ Unchanged ↑ Increased ↓ Reduced

MARKET AND MACRO-ECONOMIC ENVIRONMENT

Principal risk description	Residual risk	Outlook and risk response for 2023
Economic climate – adverse macro-economic conditions Geo-political factors which drive a prolonged period of stress and volatility for the global economy, with continued steep inflation and interest rate volatility, could restrict our growth and profit margins. In particular, the Group's costs could be impacted by further increases in the cost of energy, steep wage inflation or increased food and material costs. A lasting adverse economic climate is also likely to influence market dynamics, resulting in reduced demand and revenue. Related strategic blocks, pillars and enablers: 1 2 3 5 6 **Risk appetite:** Not applicable	High ↔	In recent years, we have taken action to improve our resilience to difficult economic conditions, including a more flexible cost base with more centralised processes. Although the inherent threat from these external factors remains high, we are well prepared for further challenges in 2023 and remain focused on preparing for and responding to the impact of changes in the macro-economic environment. Mitigating the impact of spiralling energy costs has been a key area of action during 2022. Concerns have eased partially due to government intervention and our initiatives to reduce consumption. The impact of inflation across our supply chain has been largely offset by the high room rates achieved. Any negative changes in hospitality market dynamics could elevate the impact of this risk. **How we mitigate and respond to this risk** General: – Close monitoring of economic and market forces. – Budgetary control and frequent forecasting across all regions and property type. – Monitoring of market pricing in respect of our supply chain and a policy of sourcing locally where possible. – Dynamic room rate strategy. Energy costs: – Use of third party experts to support the energy procurement strategy and partial hedging arrangements for the Group's energy supply requirements throughout most of 2023. – Real time analysis of energy consumption across properties. – Energy consumption reduction initiatives and targets across all properties. – Capital expenditure to reduce energy consumption in our least efficient properties.

MARKET AND MACRO-ECONOMIC ENVIRONMENT CONTINUED

Principal risk description	Residual risk	Outlook and risk response for 2023
Market dynamics – significant and prolonged decline in global travel and market demand Uncertainty in future market demand due to volatile macro-economic conditions and cost-of-living pressures could reduce consumer confidence and impact corporate budgets. Conversely, UK economic conditions which result in a weaker pound could present an upside, with increased demand from international travellers to the UK. Related strategic blocks, pillars and enablers: : 1 2 3 4 9 **Risk appetite:** Neutral	High ↓	Following our positive trading performance in 2022, we are optimistic that the hospitality market will be resilient across our regions throughout 2023. Some uncertainty is likely to continue due to the ever-changing nature of the many external factors that can impact our market dynamics. **How we mitigate and respond to this risk** We closely monitor and anticipate changes in market dynamics to ensure that we remain prepared and respond quickly. Our risk mitigation includes the following: – Introducing improved revenue management systems to support the rate strategy. – Focused promotional initiatives and leveraging our partnerships for distribution and marketing. – Continuing our close collaboration with Radisson Hotel Group and leveraging its reach for promotional campaigns. – Driving consistent guest experience and brand standards across all of our properties with routine brand audits and enhanced training. – Analysing customer feedback to quickly identify issues and improve operations. – Digital services such as online check-in/check-out, digital key, online food ordering and real time messaging.

FUNDING AND INVESTMENT

Principal risk description	Residual risk	Outlook and risk response for 2023
Funding and liquidity – risk of breaching debt covenants, an inability to service existing debt and cash restrictions The impact of failing to proactively manage funding and liquidity risk could include cash restrictions, loss of stakeholder confidence and less favourable terms when refinancing in the future. Related strategic blocks, pillars and enablers: 1 2 5 **Risk appetite:** Neutral	Medium ↓	This threat has eased considerably this year due to the Group's improved trading performance. The cost of debt finance could be under increasing pressure in the year ahead, with economic conditions leading to further possible interest rate rises. With the interest rates fixed on the majority of the Group's loans, the impact of a steep rate increase is largely mitigated in the medium term. **How we mitigate and respond to this risk** Our key mitigating actions and controls include the following: – Monthly forward covenant testing with sensitivity and stress modelling. – Robust treasury monitoring and reporting to the Board. – Proactive and regular liaison with our lenders. – Fixed interest rates for the majority of our loans.

OUR APPROACH TO RISK MANAGEMENT *continued*

FUNDING AND INVESTMENT CONTINUED

Principal risk description	Residual risk	Outlook and risk response for 2023
Development project delivery – disruption to projects causing delays or unforeseen cost increases Global supply chain concerns and a challenging labour market could persist and cause disruption to existing and future construction or refurbishment projects. Increasing interest rates coupled with inflationary pressure could combine to increase the Group's development project costs. Related strategic blocks, pillars and enablers: 1 2 9 **Risk appetite:** Neutral	High ↑	As we continue to pursue growth through our construction projects, external factors driven by the changing geo-political and macro-economic conditions are likely to present continued challenges to our project delivery in 2023. We are focused on closely monitoring our project timelines and costs to mitigate this risk proactively. Project cost increases could result from interest rate rises with construction related loans on variable rates until completion. **How we mitigate and respond to this risk** Our Executive Leadership Team oversees the progress of all key development projects, supported by our in-house Technical Services team. Our key oversight controls include the following: – Regular meetings with our key contractors to identify and tackle any approaching issues which could impact the overall cost, targeted delivery schedule or expected quality standards. – Independent monitoring of major projects by appointed third party experts.

FINANCIAL CONTROL

Principal risk description	Residual risk	Outlook and risk response for 2023
Fraud The Group could suffer financial loss and reputational damage from individuals acting with dishonesty or deception to obtain undue benefits; avoid obligations; cause loss to another party; remove funds; or misrepresent the financial position or affairs of the business. Related strategic blocks, pillars and enablers: 3 6 **Risk appetite:** Averse	Medium ↑	We maintain a strong focus on internal controls to mitigate the inherent risk of fraud. In the current volatile business and economic environment, the inherent threat of fraud occurrences could be heightened. Factors such as steep inflation and the cost-of-living crisis could increase both the motivation and rationalisation for an individual to commit fraud. Additionally, the challenging labour market which can lead to resource constraints or high staff turnover could also increase the threat of fraudulent activity if it impacts the application of expected internal controls. **How we mitigate and respond to this risk** We have conducted an annual Fraud Risk Assessment to identify and assess the existing internal fraud risks across the Group and map them against our internal controls. Our key oversight controls include the following: – Financial Control Framework. – Internal Financial Assurance Programme. – Physical security controls. – IT access management and information security controls. – Anti-bribery and corruption policy and procedures. – Independent third party verifications and confirmations on large transactions.

TECHNOLOGY AND INFORMATION SECURITY

Principal risk description	Residual risk	Outlook and risk response for 2023
Cyber threat – undetected/unrestricted cyber security incidents 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. Related strategic blocks, pillars and enablers: 3 7 **Risk appetite:** Averse	High ↔	We have continued to invest in strengthening our defences to contain this area of risk. Despite the improved controls, our residual risk assessment remains high, with cyber attacks widely reported to have increased significantly across all sectors in 2022, a trend we expect to continue throughout 2023. **How we mitigate and respond to this risk** With cyber attacks being very high risk inherently, our controls are focused on containing the threat through prevention, detection and planned response. Our controls include the following: – Cyber security monitoring solution. – Team member awareness training including in-house phishing simulations. – Email protection and end-point protection and detection controls. – Network security systems. – Network Access Control solution. – Virtual Private Network (VPN) connections for securing remote connections to the corporate network. – IT security policies. – Incident response plans. – Third party expert penetration testing. – Identity Access Management tool. – Disaster Recovery procedures for core infrastructure and key applications.

TECHNOLOGY AND INFORMATION SECURITY CONTINUED

OUR APPROACH TO RISK MANAGEMENT *continued*

Principal risk description	Residual risk	Outlook and risk response for 2023
Data Privacy – risk of data breach The Group could experience a serious data privacy breach which could result in investigation, significant fines in accordance with the GDPR and subsequent reputational damage. Related strategic blocks, pillars and enablers: 3 7 **Risk appetite:** Averse	Medium ↓	Our established data privacy compliance programme coupled with the introduction of monitoring tools for company devices and systems, and refreshed mandatory training, have reduced our residual impact assessment. The risk remains closely linked to cyber threat, as a data breach is one of several potential consequences of a cyber attack. **How we mitigate and respond to this risk** Our mitigating controls are focused on reducing the likelihood of a large scale data privacy breach and our processes ensure that any incidents are dealt with in compliance with the GDPR. Our controls include the following: – Information Security and Data Privacy policies. – Internal awareness campaigns and mandatory training. – Programme of Compliance team onsite data privacy audits. – Breach protocols, reporting hotlines for team members and incident response plans. – Use of third party experts for technical support when necessary. – Credit card tokenisation through our payment systems. – Technical monitoring controls – see Cyber Threat risk.
Technology disruption 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. Related strategic blocks, pillars and enablers: 3 7 **Risk appetite:** Averse	Medium ↔	As a key area of potential business interruption, we have delivered several projects to improve our resilience and contain the threat. In the year ahead, our work will continue to further improve our resilience. **How we mitigate and respond to this risk** Our controls and actions to reduce our risk exposure and build resilience include the following: – Core technology infrastructure hosted by third party secure data centre. – Back-up and disaster recovery site for core infrastructure. – Disaster Recovery plans for key business applications. – Network monitoring solution. – SOC reporting from key third party technology service providers. – Review and update of network design. – Continued roll-out of converged networks across our hotels.

SAFETY AND CONTINUITY

Principal risk description	Residual risk	Outlook and risk response for 2023
Operational disruption Major global events such as pandemic, war or environmental disasters could result in widespread disruption to our markets and operations. We could also experience more localised disruption to our operations from incidents at our hotels or in the immediate vicinity, for example floods, extreme weather, social unrest or terrorism. Related strategic blocks, pillars and enablers: 7 3 9 **Risk appetite:** Averse	Medium ↓	In the short term, concerns over wide scale operational disruption have reduced since the height of the pandemic. In recent years, we have demonstrated resilience to significant business disruption and an ability to adapt and operate effectively in challenging circumstances. The threat of operational disruption could become more prevalent in the long term if the frequency and impact of climate-induced disasters becomes more significant across our regions (see our TCFD report on pages 70 to 73). **How we mitigate and respond to this risk** Our key mitigating controls include the following: – Hotel crisis and continuity plans, and crisis communications. – Hotel lockdown procedures. – Cost control measures to reduce impact of closures and reduced capacity. – Adapted services 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. – Contingency in place for areas of critical supply.
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. Related strategic blocks, pillars and enablers: 3 6 7 9 **Risk appetite:** Averse	Medium ↔	We remain committed to providing a safe stay for our guests and a safe working environment for our team members, and do not accept any actions which would increase the threat to their health, safety or security. The risk is contained to a tolerable level due to our extensive controls and assurance programmes. **How we mitigate and respond to this risk** We actively mitigate and respond to this area of risk through the following measures: – 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. – Mental health and wellbeing training. – Centralised system for incident reporting. – Proactive gathering of intelligence and advice on potential security risks through regular liaison with local police and security services.

OUR APPROACH TO RISK MANAGEMENT *continued*

PEOPLE

Principal risk description	Residual risk	Outlook and risk response for 2023
Talent attraction, engagement and retention – challenge of maintaining an engaged and suitably skilled workforce Difficulties in maintaining an engaged and suitably skilled workforce could impact our service standards, drive up operating costs, disrupt operations and impact the overall delivery of our key strategic objectives. Related strategic blocks, pillars and enablers: 3 6 7 9 **Risk appetite:** Averse	High ↔	Current labour market conditions suggest that difficulties in attracting, engaging and retaining team members is likely to persist as a significant matter within the hospitality sector throughout 2023. **How we mitigate and respond to this risk** A proactive approach to mitigating this area of risk has underpinned our improved trading performance throughout 2022. Our initiatives to focus on talent attraction and engagement of our team members to combat the labour market challenges include the following: – In-house recruitment team. – Dedicated Hospitality Career Centre (recruitment office) in London. – Employer brand and talent attraction strategy. – Optimising and simplifying the candidate experience. – Social media strategy to increase presence and labour market penetration. – Attracting skilled workers from international labour markets using international recruitment agencies. – Talent management and succession planning to promote intra-Company mobility options. – Employee engagement initiatives and retention strategy. – Pulse employee surveys to measure engagement and identify and address any areas of concern. – Recognition and reward programmes. – Regular talent reviews. – Learning and development strategy with enhanced online learning content. – Mental health and emotional wellbeing initiatives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Principal risk description	Residual risk	Outlook and risk response for 2023
ESG – stakeholder perception – negative perception of the group with regard to ESG matters Corporate governance and matters of environmental and social responsibility are of significant importance to our stakeholders. A perception that the Group does not apply best practice corporate governance principles, does not suitably mitigate both the physical and transition risks of climate change, or does not act responsibly to protect the environment and the communities we operate in, could impact our performance by damaging our appeal to customers, investors and other business partners. It could also affect our ability to retain and attract talent. In taking a proactive approach to key ESG matters, there is a considerable opportunity to strengthen our reputation and stakeholder confidence. Related strategic blocks, pillars and enablers: 1 2 3 **Risk appetite:** Averse	Medium ↔	The trend of increased scrutiny on matters of environmental impact, social responsibility and corporate governance is expected to continue in the year ahead. Key areas of concern for investors and regulators include climate related risk, carbon reduction programmes and targets, the threat of biodiversity loss and social inequality. **How we mitigate and respond to this risk** Our ongoing activities to meet the ESG expectations of our stakeholders include the following: – Updating materiality assessment of stakeholder ESG priorities (completed 2022 – recommend updates every three years). – Participation in the Radisson Responsible Business Survey. – Externally certified performance against recognised standards, e.g. Green Key. – Membership of industry organisations (Zero Carbon Forum and Energy and Environment Alliance) to achieve best practice – Reporting on climate related financial disclosures under the Listing Rules (LR 9.8.6R) – Engagement of specialist third parties to gather data for reducing energy consumption – Documentation of governance practices and procedures to ensure compliance with Corporate Governance Code 2018 ('Code') requirements, or satisfactory explanation thereof. – Active monitoring of gender pay gap across the organisation.

VIABILITY STATEMENT

At the start of the year, most of our territories were impacted by government restrictions, but as these restrictions gradually eased from the second quarter, trading strongly recovered. During the first quarter, the Group focused on managing cash burn, health and safety, and navigating the challenging trading environment. However, three months later, the focus shifted to servicing significantly increased demand levels. Margins began to normalise from the third quarter, although they were still impacted by the ramp-up in operations and inflationary pressures.

The recovery after COVID combined with the war in Ukraine, caused inflation in all our territories to increase significantly, and utility prices to reach unprecedented levels. On the back of this high inflation, central banks worldwide have increased interest rates to levels not seen since the Global Financial Crisis. The Group's loan portfolio currently has limited exposure to rising interest rates, as almost all the Group's loan portfolio has a fixed rate of interest. The first significant refinancing of these fixed rate loans is taking place in 2026 and in early 2022 the Group entered into forward starting hedges, totalling around £190 million, to partially limit the exposure to interest rate fluctuations upon that refinancing in 2026.

During COVID, when trading was affected by government restrictions, the Group received waivers of existing covenants on all its credit facilities. These waivers are expiring throughout 2023 and the expectation is that the Group will comply with its loan covenants going forward.

Although the Group's trading is now less volatile, trading visibility is still not at pre-pandemic levels, due to short booking lead times and a high degree of cancellable bookings. Nevertheless, the past months have turned out above expectations, and the Group has shown that it is well placed to handle short-lead significant bounce-backs of demand. With the lifting of government restrictions around COVID-19 from the second quarter onwards, the Group's hotels have benefited from a strong recovery, with most of its hotels being in desirable city hubs.

To assess the Group's viability, the Board conducted a robust assessment of the current and emerging risks facing the Group and how they could impact the strategy, performance and liquidity of the Group. The Board considered detailed cash flow projections for the next three-year period to 31 December 2025, constructed on a base case and a downside case basis. The high inflationary environment is assumed to continue into 2023, and it is assumed that COVID-19 will not result in government restrictions going forward.

The base case assumes full pre-COVID-19 recovery in 2023, with EBITDA levels at or around 2019 EBITDA levels. EBITDA for 2024 and 2025 each grows at 2.5%, and new openings will also influence EBITDA positively. The downside case assumes 15% less EBITDA compared with the base case for each of the three years in the model. The estimates in both scenarios have a high degree of uncertainty, as the period of estimates extend significantly beyond the current booking lead times. The downside case does not require an extension of covenant waivers, but could lead to a minor (<£10 million) loan prepayment which can be paid from the Group's excess cash.

The downside scenario could result in cash traps under certain facilities, although the Group's freely available cash resources in that scenario are sufficient to continue without taking restructuring measures. The Board continually monitors these three-year base case and downside case cash flow forecasts, which take into consideration different trading assumptions and the Company's long-term strategy.

Having reviewed both the base case and downside case, the Directors have determined that the Group is likely to continue in business for the period under review without implementing any further protective measures to the operational structure. With the pandemic assumed not to impact trading further, the Group's viability does not depend on additional liquidity and is back to cash flow positive trading. The Board concluded that three years would be an appropriate timeframe over which to assess the Group's longer-term viability given the limited levels of planning certainty to this period and the significant new pipeline that will be delivered in this period.

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 2025 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 2025.

STAKEHOLDER ENGAGEMENT

OUR BUSINESS MODEL SEEKS TO CREATE VALUE FOR GUESTS, INVESTORS, TEAM MEMBERS, COMMUNITIES AND OTHER STAKEHOLDERS.

Through meaningful and ongoing dialogue on issues of importance, we maximise this value, delivering benefits for society at large. The last year was characterised by a return to 'business as usual' in many of our markets. While safely removing pandemic-related restrictions, we focused on resuming engagements with our strategic stakeholder groups.

GUESTS

WHY THEY MATTER TO US:

Guests are at the core of our company purpose, vision and values. Creating valuable memories for them is what drives every decision and action we take.

WHAT MATTERS TO THEM

- Confidence in clean, healthy and safe facilities.
- Feeling heard and listened to through multiple communication channels.
- Reliable, consistent excellence across our diverse locations, with tailoring to the unique opportunities in each place.
- Providing unique experiences which guests will remember and may share with their personal or professional network.
- A personalised approach to each guest's stay.
- Confidence that we adjust to guests' needs when their plans change.
- Rewarding their loyalty.
- ESG issues, notably waste, water and energy management.

HOW WE ENGAGED IN 2022

We listened to guest feedback and ideas through various channels, receiving over 85,000 online reviews and nearly 40,000 guest surveys, which confirmed our guests' appreciation for locations and service as the highest rated areas.

Our 'Creating Memories' service delivery programme was fully rolled out to support guest-facing team members to deliver on our purpose and create valuable memories for guests. With trained 'Inspirators' at all UK and Netherlands hotels, the programme:

- deployed 'Go Digital' technologies for exceptional digital guest experiences, with more and more guests opting for online check-in and check-out, digital room keys, ordering room service from their phones, and taking advantage of other opportunities to take control of their stay from the convenience of their own devices; and
- further embedded a 'We are Creators' culture to ensure that it influences our service style and standards.

In 2022, we introduced our Service of Hospitality training programme, which has helped to further increase our service scores. In addition, our Ecological programme which was trialled in the United Kingdom in September, has led to this initiative supporting our activities with the Just a Drop charity, which we introduced across the United Kingdom and the Netherlands.As a result of further enhancing our Digital Guest Experience, our checkout and departure survey score is among the highest scoring areas, enabling guests a smooth and swift checkout experience at their convenience. Our continued training and team engagement and revised service flows initiated by the Brand Guest Experience, with the support of our Learning and Development teams, have also resulted in improved scores.

INVESTORS

WHY THEY MATTER TO US:

Investors enable us to deliver on our core purpose and create value for society at large. Proactive engagement with them helps us anticipate their questions and priorities, and enables our business to compete and succeed.

WHAT MATTERS TO THEM

- Confidence in the business's leadership.
- A long-term, sustainable strategy for success.
- Reassurance that the business is an ethical, responsible channel for growth.
- Reward for confidence during the pandemic.
- ESG issues of climate change; waste; sustainable procurement; water; DEI; human rights; and Board composition.

HOW WE ENGAGED IN 2022

Our Executive Leadership Team proactively seeks out investor input through investor roadshows conducted by Mr Kos, our Chief Financial Officer, and Mr Hegarty, our Deputy Chief Executive Officer & COO. These are exercises in gathering feedback from investors that is fed back to the Board. The roadshows involved discussions of our pipeline and future growth, as well as opportunities for face to face engagement with Senior Independent Director.

In 2022, investors continued to request information from us on ESG matters and our Senior Independent Director, Nigel Keen, met with them on a number of occasions. Our strategic materiality assessment on ESG involved interviews with a number of investors. These revealed the issues of greatest investor concern to be climate change; waste; sustainable procurement; water; DEI; human rights; and Board composition. This information has helped shape our new ESG strategy.

Learn more – See our ESG strategy on pages 66 and 67.

STAKEHOLDER ENGAGEMENT *continued*

TEAM MEMBERS

WHY THEY MATTER TO US:

Our people and values are at the heart of our business and at the core of everything we do. We harness an open, honest, family values culture across the business, whether managing our hospitality assets or delivering consistent operational excellence across our portfolio.

WHAT MATTERS TO THEM

- An inclusive, clean, safe and supportive work environment.
- A flexible employer that is adaptive to their needs.
- A fun place to work.
- An employer that takes care of them during lockdowns.
- Prioritising health, mental and physical.
- Being rewarded for loyalty and dedication.
- Growing with the business through opportunities for internal promotion and career progression.
- Developing and learning at work.
- Passion for excellence and giving guests the best possible experience.
- Feeling respected, valued and heard.

81%

Employee engagement In 2022, the Group introduced a new survey platform to measure employee engagement

HOW WE ENGAGED IN 2022

Results of the pulse surveys, which measured engagement, were shared and reviewed by the Board. They found that employees were highly engaged (81%), with learning opportunities and a good working environment cited as two key motivating factors. Employee survey data from 2022 and before has informed our new ESG strategy, with key issues of importance among team members being pay and benefits; DEI; Company culture and health and safety. On the latter, we ramped up support, from flexible working and wellbeing support, to financial assistance and benefits packages. On DEI, we published our gender pay gap report for 2021 in late 2022 and it is available on our website pphe.com/responsibility/responsible-reporting. This is in line with the UK Equality and Human Rights Commission requirements.

The Board considers site visits the best means of interacting with our team members, and engaging them as stakeholders in the success of the business overall. Read more about the engagement calendar of our Non-Executive Director responsible for Workforce Engagement on page 106.

We fully back employees to unionise or access collective bargaining structures (see page 59). We know from these fora in the UK and the Netherlands that work/life balance and cost-of-living were a concern during the last year and we have addressed these in our new Work Life programme (see page 58).

A Lifetime Achievement Award from the Society of the Golden Keys of Great Britain & the Commonwealth was given to David Haines, Park Plaza Westminster Bridge London Head Concierge. James Goulding, Regional UK Director of People & Culture, was recognised at the Hotel 'Cateys' awards with a People Manager Award.

COMMUNITIES

WHY THEY MATTER TO US:

Hospitality plays an important role in serving local communities, with high quality employment opportunities and significant local investment. In turn, we depend on attractive destinations and thriving neighbourhoods for a successful business.

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.
- ESG issues of sustainable tourism, climate change, gentrification and community engagement.

HOW WE ENGAGED IN 2022

During the last year, we created measurable and sustainable value for local economies and people. From creating more than 1,000 jobs and expanding skills partnerships; to hosting refugees and donating to charities – you can read about direct and indirect engagement on pages 60 and 61). Community groups were also interviewed as part of our strategic ESG materiality assessment, which highlighted sustainable tourism, climate change, gentrification and community engagement as key priorities from their perspective. This information has helped shape our new ESG strategy (see pages 66 and 67).

AFFILIATES

RADISSON HOTEL GROUP

WHY THEY MATTER TO US:

The heart of our collaboration is our exclusive and perpetual licence to operate the Park Plaza brand in Europe, the Middle East and Africa. This complements our other branding elements, art'otel and Arena, and this year, we are pleased to be announcing an expansion of our collaboration (see page 24).

We cooperate in vital infrastructure such as our central reservation system, the Radisson Rewards™ loyalty programme and our online booking presence. We also collaborate on a carbon neutral events programme alongside First Climate (see page 62).

WHAT MATTERS TO THEM

- A reliable business partner worthy of carrying valuable brand assets.
- An affiliate to be proud of.
- An enthusiastic partner in Responsible Business.
- ESG issues of climate change, waste and human rights.

HOW WE ENGAGED IN 2022

All Group hotels were invited to participate in Radisson's annual 'Responsible Business' survey in 2022. Likewise, Radisson participated in our ESG materiality stakeholder engagement, with interviews showing that climate change, waste and human rights were issues of significant importance to them.

Learn more – See our ESG strategy on pages 66 and 67.

SUPPLIERS

WHY THEY MATTER TO US:

Strong, collaborative relationships with our suppliers allow us to have confidence in Responsible Business, and apply consistent standards across the Group. This gives our guests what they want, and adds value and reduces costs to all our 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.
- Sustainable procurement.

HOW WE ENGAGED IN 2022

We have continued to maximise value creation for local suppliers, splitting large orders to sustain the largest number of business relationships as possible.
We reviewed and updated our Responsible and Ethical Sourcing Policy, and we launched a new supplementary survey, with information informing our new ESG strategy.

Learn more – See our ESG strategy on pages 66 and 67.

The survey showed that sustainable procurement (social and environmental) was seen as an important priority to our suppliers.

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

INTRODUCTION TO GOVERNANCE

KEVIN MCAULIFFE
Non-Executive
Deputy Chairman

I am pleased to present the Corporate Governance report for the year ended 31 December 2022.

As the Group's outgoing Deputy Chairman I can reflect on the Corporate Governance journey undertaken at the Group, and look back with pride on what we have achieved. I am naturally saddened to be leaving the group, but I do so with the satisfaction and confidence that the Group is on the right path.

In 2022, the Group took the opportunity to re-engage with all important identified stakeholder groups through the conduct of a materiality assessment of the priorities of our investors and others for corporate governance going forward. We were very pleased to note the high degree of satisfaction they expressed, but were also very interested to hear their concerns and desires going forward.

We have always recognised that it is vital to maintain good communication between our various stakeholder groups and executive leadership. We have achieved this in a variety of ways in 2022, from the materiality assessment, to investor roadshows and other activities aimed at keeping active dialogue with representatives of independent shareholders. I have served as the Board's liaison with our workforce, which has yielded great input into our success this year.

2021 saw the external evaluation phase of our annual Board effectiveness evaluation, which means that in 2022 we have benefitted from an independent, external perspective on Governance, and have taken their advice and recommendations on board.

We have also been active in developing an ESG Strategy, which you can read about on pages 66 and 67, and therefore keeping internal standards, policies and other methods of ensuring high standards are kept under review.

I would like to take this opportunity to welcome Marcia Bakker to the Board as a new Non-Executive Director. Refreshing and maintaining the independence of the Board with diverse expertise and backgrounds is an important part of ensuring ongoing good governance, and I know that Marcia will play a key role in this looking ahead.

This report sets out how we have complied with and applied the principles and provisions of the 2018 Corporate Governance Code (the 'Code') throughout the year.

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. This enabled 2022 to be a great success story as assessed against those aims, with the Group returning to profitability swiftly after pandemic restrictions were lifted.

The Board's input into strategy is maintained through a number of channels. We conduct an annual Strategy Day, which enables a deep-dive by the Board into strategic leadership, and enables us to give the Executive Leadership Team detailed input. This is combined with monthly business update calls between the Board, its Executive Leadership Team and our senior management. The Non-Executive Directors meet directly after the monthly updates, which gives the necessary forum for scrutiny and discussion without the rest of the Board and Executive Leadership Team present. This independent

STATEMENT OF COMPLIANCE SECTION 172 COMPANIES ACT 2006

The UK Corporate Governance Code (the Code) incorporates section 172 of the UK Companies Act 2006, which requires us, as a matter of good corporate governance and good corporate citizenship to consider the interests of identified stakeholder groups in making business decisions. This duty requires us to ensure stakeholders are able to have their views and input taken into consideration, and to consider the likely impact on stakeholders of business decisions. The Board's decisions are guided by what is most likely to promote the success of the Company in the long term through creating sustainable value for shareholders and contributing to wider society as a whole. Each Director listed in this corporate governance section of our report understands their duties, and acts in a way that, in their judgment, promotes the success of the Company for the benefit of all stakeholders, with due regard to the varying interests of different stakeholder groups.

Detailed information on how we have discharged these responsibilities in 2022 can be found in the following sections of the Report:

- This corporate governance chapter
- Stakeholder engagement – The summary Task Force on Climate-related Financial Disclosures (TCFD) report
- Statements from the Chairman and Deputy Chairman

analysis means each meeting of the full Board is a forum where different perspectives are aired based on a sound and detailed knowledge of the issues the business faces and the opportunities that exist.

BOARD EVALUATION

An external review of the Board and its Committees was carried out by Independent Audit Limited in 2021. The Board assesses and evaluates the performance and effectiveness of the Board as a whole, and each director in particular on an annual basis, with the external reviews taking place once every three years. Our progress against the 2021 external evaluation was reviewed internally in 2022, and we present the results (see page 100).

BOARD COMPOSITION

We are very pleased to welcome Marcia Bakker to our complement of independent non-executive directors. I have decided to gradually retire from business life and, as a consequence, will not stand for re-election at the next Annual General Meeting and will resign from the Board at the conclusion of that meeting. An independent Non-Executive Director will be assigned my responsibilities in due course.

SUSTAINABILITY AND ESG

Our Environmental, Social and Governance ("ESG") Committee established in 2021 has overseen the Executive Leadership Team's sustainability activities, and this year, we are proud to announce a brand new ESG Strategy to be published alongside our Annual Report and Accounts. This strategy is the outcome of work between the Executive Leadership Team supported by external expert consultants to assess the material priorities of our stakeholders, and translate these into measurable targets and KPIs to which we can be held accountable. We are also on a journey to Carbon Net Zero, which involves setting Science-Based Targets. Going forward, the publication of the strategy and setting of the targets will allow our performance to be measured against our peers and other internationally recognised benchmarks.

SHAREHOLDER ENGAGEMENT

At the Annual General Meeting held in May 2022, a small number of shareholders heeded the recommendations of proxy agencies and voted against the re-appointment of Mr Bradley, the Chair of the Nomination Committee.

Our active dialogue with representatives of independent shareholders throughout the year informs our understanding of governance priorities for investors, and assists us in setting targets internally, and with communication priorities. We are grateful for our investors' ongoing support and guidance to help us address their concerns, which related to Board composition, specifically my tenure and independence as well as that of the Chair of the Company; and the road map to meet diversity targets.

My own retirement will allow an independent Non-Executive Director to take over my responsibilities, and our move towards meeting Board diversity targets in 2022 are steps that will help to ensure we repay the confidence investors have shown in us.

2022 saw increased shareholder input through the introduction of an advisory vote for shareholders on the Report of the Remuneration Committee and on the Remuneration Policy. This is now a standing item on our Annual General Meeting agenda, which has helped us to meet shareholder expectations.

Engagement with shareholders is further achieved through investor roadshows led by our Chief Financial Officer, Deputy CEO and Executive Vice-President Commercial Affairs throughout the year. Feedback received during roadshows is reported by Mr Kos to the Board for discussion at quarterly Board meetings, following which our Senior Independent Director reaches out to shareholders to continue the dialogue. In addition, as part of his role as Senior Independent Director, Mr Keen meets with shareholders as and when requested. He is always keen to engage with shareholders, and would appreciate receiving any meeting requests.

WORKFORCE ENGAGEMENT

It is our aim to be an employer of choice, and we are keen to make sure we are reaching the highest standards of workforce engagement. Team members were key stakeholders engaged with as part of the materiality assessment conducted this year, and employee engagement surveys are completed twice yearly. This ensures we keep our fingers on the pulse. Monthly business updates also ensure that we receive regular feedback from the workforce.

The Board made it a priority to conduct site visits as a major part of workforce engagement in 2022, as the pandemic had prevented this on some sites for a considerable period. We intend to continue this in 2023, especially as it is a priority to ensure that our newest Non-Executive Director receives on-site familiarisation as part of her induction.

The Board had taken a particular interest in our workforce engagement processes throughout the year with a desire to have an increase of its scope to include a focus on ESG for next year and beyond. We have benefitted from a materiality assessment in 2022, we are committed to continue to ensure that on an ongoing basis, our methodology for workforce engagement is structured, consistent and fulfilling its purpose of strengthening the employee voice in the boardroom.

CONCLUSION

We recognise that sound corporate governance is imperative to delivering long-term sustainable value for all of our stakeholders.

I would like to thank our Board, Executive Leadership Team, the entire workforce and all our stakeholders for their commitment and support during my tenure, and I have every confidence in the business going forward.

KEVIN MCAULIFFE

Non-Executive
Deputy Chairman

BOARD OF DIRECTORS

BOARD AND COMMITTEE MEMBERSHIP

ESG Committee

Audit Committee

Nomination Committee

Remuneration Committee

C Chair

	ESG Committee	Audit Committee	Nomination Committee	Remuneration Committee
Eli Papouchado				
Yoav Papouchado Alternate Director				
Kevin McAuliffe			●	
Nigel Keen		●	●	C
Kenneth Bradley	C	●	C	●
Stephanie Coxon	●	C	●	●
Marcia Bakker	●	●	●	●
Boris Ivesha				
Daniel Kos				

ELI PAPOUCHADO

NON-EXECUTIVE CHAIRMAN

Mr Papouchado has been Chairman of the Group since its formation. He is a Founder of the Red Sea Group and acted as its Chairman for over ten years.

Our Chairman brings a 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. He has been 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, and served as Chairman of the Israel Hotel Association.

External appointments: N/A

Board Committees: N/A

Independent: No

Year of first appointment: 2007

KEVIN MCAULIFFE

NON-EXECUTIVE DEPUTY CHAIRMAN

Mr McAuliffe is a former member of the Society of Trust and Estate Practitioners and a Director of various regulated investment companies. From 1999, he worked with the Carey Group, joining as Chief Executive in 1999, before serving as its Chairman until his retirement. He served as Head of Advisory Services for Paribas International Private Banking and Managing Director of Paribas Suisse in Guernsey from 1992 to 1999, and as Finance Director of Ansbacher Offshore Banking Group, before being appointed as Chief Executive Officer of Ansbacher's Guernsey bank and trust company business in 1994. Mr McAuliffe has held posts in three different departments in the States of Guernsey between 1973 and 1980, and is a member of the Supervisory Board of the Arena Hospitality Group.

External appointments: Supervisory Board Member, Arena Hospitality Group; Director of CKLB International Management Limited and CM Management Limited

Board Committees: Nomination Committee

Independent: No

Year of first appointment: 2007

KENNETH BRADLEY

NON-EXECUTIVE DIRECTOR

Mr Bradley is a former Guernsey Island Director at RBS, who focused on corporate banking and structured finance, and was also Guernsey Island Director and Chief Country Officer at Barclays Bank, overseeing their Banking and Fiduciary business, while having responsibility for businesses in five other jurisdictions.

External appointments: Director of a Private Fiduciary Company and a small Finance Company

Board Committees: Nomination Committee (Chair), Audit Committee, Remuneration Committee, ESG Committee (Chair)

Independent: Yes

Year of first appointment: 2019

YOAV PAPOUCHADO

ALTERNATE DIRECTOR TO NON-EXECUTIVE CHAIRMAN

Mr Yoav Papouchado is the Chairman of the Red Sea Group. He is a real estate developer with over 30 years of experience of residential developments and data centres worldwide. He serves as Deputy Chairman of the Supervisory Board of the Arena Hospitality Group, listed on the Zagreb Stock Exchange, and is President of Gear Construction, the construction arm of the Red Sea Group.

External appointments: Chairman, Red Sea Hotels Limited; President, Gear Construction; Deputy President of the Supervisory Board, Arena Hospitality Group

Board Committees: N/A

Independent: No

Year of first appointment: 2020

BORIS IVESHA

PRESIDENT & CHIEF EXECUTIVE OFFICER

Mr Ivesha has been President of the Group since 1991, and brought the Park Plaza brand to the Group in 1994 in collaboration with the Red Sea Group, and has been the major influencer in expanding the Group's portfolio. He established the Yamit Hotel, Israel in 1984, and served as its President. He was Director of the Carlton Hotel in Israel from 1979 to 1984, and the General Manager of the Royal Horseguards Hotel in London from 1972 to 1979. He is the Chairman of the Supervisory Board of the Arena Hospitality Group.

External appointments: Chairman of the Supervisory Board of the Arena Hospitality Group

Board Committees: N/A

Independent: No

Year of first appointment: 2007

DANIEL KOS

CHIEF FINANCIAL OFFICER & EXECUTIVE DIRECTOR

Mr Kos has worked with the Group for over ten years of which the last five years have been as Chief Financial Officer and Executive Director. As Chief Financial Officer, Mr Kos is responsible for the Group's finance, IT and procurement strategy. Mr Kos has 20 years of finance experience in the field of audit and corporate finance and has been involved in several large complex M&A deals, large (re)financing projects and several transactions on the public markets in London and Zagreb. Prior to joining the Company, Mr Kos 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. Mr Kos is a certified public accountant with significant international experience across many different industries.

External appointments: N/A

Board Committees: N/A

Independent: No

Year of first appointment: 2018

NIGEL KEEN

NON-EXECUTIVE DIRECTOR & SENIOR INDEPENDENT DIRECTOR

Mr Keen is a chartered surveyor who previously served as the Head of Property at Tesco and at the John Lewis Partnership. He serves the Vistry Group Plc as the Chair of its Remuneration Committee, and as a member of both its Audit and Nomination Committees. He is also a Non-Executive Director for RG Carter Construction Company and is Deputy Chairman of the Maudsley Mental Health Charity.

External appointments: Non-Executive Director, Vistry Group Plc; Non-Executive Director, RG Carter; Deputy Chairman, Maudsley Mental Health Charity

Board Committees: Nomination Committee, Audit Committee, Remuneration Committee

Independent: Yes

Year of first appointment: 2018

STEPHANIE COXON

NON-EXECUTIVE DIRECTOR

Ms Coxon is a Fellow of the Institute of Chartered Accountants in England and Wales and is a Non-Executive Director on several London listed companies. Prior to becoming a Non-Executive Director, Ms Coxon led the investment trust capital markets team at PwC for the UK and Channel Islands. During her time at PwC, Ms Coxon specialised in advising FTSE 250 and premium London listed companies on accounting, corporate governance, risk management and strategic matters.

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

Board Committees: Nomination Committee, Audit Committee (Chair), Remuneration Committee, ESG Committee

Independent: Yes

Year of first appointment: 2020

MARCIA BAKKER

NON-EXECUTIVE DIRECTOR

Ms Bakker is a Certified Public Accountant with over 20 years of experience in audit, finance, executive search and leadership advisory. She has a broad background in finance with a speciality in financial reporting and was part of the IFRS and Financial Instrument competence centre at KPMG. During the last ten years, she has combined her finance background with executive search and succession planning for various corporate clients.

External appointments: Member of the Board of ISVW (Internationale School van de Wijsbegeerte)

Board Committees: Audit Committee, Nomination Committee, Remuneration Committee, ESG Committee

Independent: Yes

Year of first appointment: 2022

EXECUTIVE LEADERSHIP TEAM

THE DEPUTY CHIEF EXECUTIVE OFFICER CHAIRS A MONTHLY MEETING OF OUR EXECUTIVE LEADERSHIP TEAM, THE LEADERSHIP TEAM MANAGES DAY-TO-DAY OPERATIONS OF THE GROUP'S BUSINESSES, UNDER THE SUPERVISION OF THE BOARD. THE BOARD MAINTAINS A SCHEDULE OF MATTERS RESERVED TO THE BOARD, AND SETS THE FINANCIAL LIMITS OF THE EXECUTIVE LEADERSHIP TEAM.

Executive Leadership Team remit:

- Recommendations to the Board for strategic priorities, and formulation of forward-looking strategy.
- Design, construction and maintenance of our portfolio of properties.
- Performance management through KPIs, strategic objectives and budget.
- Health, safety and security;
- Customer engagement, product development and brand standards.
- Asset management and capital investment (where Board approval is not required).
- Procurement and cost efficiency.
- Sustainability.
- Reputation and stakeholder management.
- Risk management.
- People, culture, values and sustainability.
- Talent and succession.
- Information technology and cyber.

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 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.

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 UK and the successful implementation of Radisson Hotel Group's marketing programmes and systems. He re-joined 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 Hotel school The Hague, with a major in Marketing.

DANIEL KOS

CHIEF FINANCIAL OFFICER & EXECUTIVE DIRECTOR

Daniel has worked with the Group for over ten years, of which the last five years he has been Chief Financial Officer and Executive Director. As Chief Financial Officer, Daniel is responsible for the Group's finance, IT and procurement strategy. Daniel has 20 years of finance experience in the field of audit and corporate finance and has been involved in several large complex M&A deals, large (re) financing projects and several transactions on the public markets in London and Zagreb. 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 with significant international experience across many different industries.

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 while creating and implementing commercial and operational strategies, which include, but are not limited to, Operations and People & Culture.
Greg holds a Masters' Degree in Business Administration (MBA) and brings nearly a decade 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. In 2005, Greg also won the prestigious Esprit General Manager of the Year award 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 ESG initiatives while continuing to lead the multi-jurisdictional legal and compliance functions necessary for our success. Inbar brings an expertise in negotiations and deal execution and has a pivotal role in developing the Group's corporate governance. In 2021, Inbar featured in the prestigious Women to Watch and Role Models in Hospitality, Travel & Leisure Index 2021. 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 was 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

DANIEL PEDRESCHI

REGIONAL VICE PRESIDENT OPERATIONS, THE UK

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.

MICHELLE WELLS

REGIONAL VICE PRESIDENT OPERATIONS, THE NETHERLANDS

Michelle has held a number of management positions at PPHE Hotel Group over a period of 16 years, Promoted to the role of Regional 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. With the Rome hotel acquired in 2021 Michelle has added this to her portfolio. 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; she is Master Innholder and a holder of the Freedom of the city of London.

JAMIE KERR

EXECUTIVE VICE PRESIDENT RESTAURANT & BARS

Jamie joined the Group in 2022 as Executive Vice President of Restaurants & Bars. Jamie has an extensive track record in hospitality operations, having most recently opened Mama Shelter Shoreditch (London) as General Manager. Previously, he held General Manager roles with Soho House Group, and entertainment sales roles with Firmdale Hotels, along with running restaurants for notable chefs such as Gordon Ramsay and Mark Hix. In this new position, Jamie oversees the division's outputs and development, which includes the established and successful TOZI Restaurant & Bar, Chino Latino and ARCA brands, and the introduction of JOIA – the flagship restaurant, bar and rooftop at art'otel London Battersea Power Station, this has now opened. Jaime also leads and develops the new concepts going into art'otel London Hoxton, set to open early 2024.

CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE

For the year ended 31 December 2022, 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's) 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:

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

DIVISION OF RESPONSIBILITIES

In accordance with the Financial Reporting Council's Corporate Governance Code 2018 (the Code), the Group operates a clear separation of roles between the Chairman (including the Deputy Chairman), Senior Independent Director and Chief Executive. The accompanying table sets out the responsibilities of each role. Each role has separate duties and accountabilities, and collectively ensures effective communication with stakeholders, and reviews and agrees issues of Group-wide significance.

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. The Chair also holds the Executive Leadership Team accountable for furthering the interests of shareholders.

RESPONSIBILITIES

- Strategic leadership
- Setting the agenda and strategic priorities for the Board
- Setting key Company objectives
- Promoting a culture of openness and debate
- Ensuring that the Directors are receiving and have access to clear and timely information as needed to make key decisions
- Ensuring that the views of key stakeholders are communicated to the Board
- Monitoring progress against strategic priorities
- Regular contact with the Company's Executive Leadership Team and relevant function heads to ensure that the Board has access to relevant information and is resourced to carry out the objectives and strategy set by the Board

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 Leadership Team and key management functions.

RESPONSIBILITIES

- Leading and managing the business
- Implementing the strategy and reporting on proposed direction
- Delivering on the key objectives set by the Chairman
- Overseeing the senior management and the talent pipeline
- Appraising the performance of each member of the Executive Leadership Team, and seeking out training, development and resources where needed
- Carrying out the strategy of the Company and implementing successful approaches to operate in line with the strategy, values and purpose of the Company
- Running the business and being the key decision-maker on day-to-day Company business

KEVIN MCAULIFFE

DEPUTY CHAIRMAN

ROLE

Ensures that the appropriate governance structure and functioning of the Board of Directors.
Liaises with the 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 that 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 Deputy Chief Executive Officer
- Consulting with the Remuneration Committee about executive remuneration
- Acting as designated Non-Executive Director for workforce engagement
- Appointed as the representative of PPHE Hotel Group on the Supervisory Board of Arena Hospitality Group, the Company's listed subsidiary

NIGEL KEEN

SENIOR INDEPENDENT DIRECTOR

ROLE

Provides a sounding board for the Chairman and Deputy Chairman, serving as an intermediary for other Directors, and, 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
- Evaluating the effectiveness of the Chairman on behalf of the other Directors
- Providing a channel for shareholder feedback on executives and governance issues in the Company
- Taking the lead in identifying and providing for the development needs of the Non-Executive Directors to enhance the overall effectiveness of the Board
- 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 and added value to society as a whole
- As Chair of the Remuneration Committee, is responsible for ensuring that all remuneration proposals are put before the Committee for approval, and placed on the agenda of the next general meeting for an advisory vote by shareholders
- Owns the Remuneration Policy, which is kept updated, and subject to a shareholder vote once every three years

BOARD RESPONSIBILITIES

Strategy.
Define and set the Company's strategy for creating value for all stakeholders,including society as a whole, through success sustainable in the long term.

Governance.
- Oversee resourcing, ensuring the tools are available for management and the Group as a whole to meet the Group's objectives and measure performance against them.
- Ensure that 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.

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.

ESG.

Environment:
- Set targets for carbon reduction and other key environmental KPIs.
- Aim for carbon Net Zero.

Society and workforce culture.
- Promote a guest-focused culture in line with the strategy, valuing integrity, transparency and respect.
- 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.

CORPORATE GOVERNANCE *continued*

BOARD COMPOSITION

As of 31 December 2022, the Company had eight Directors, six of whom were Non-Executives (including the Chairman, Eli Papouchado). The two Executive Directors are Boris Ivesha, President & Chief Executive Officer, and Daniel Kos, Chief Financial Officer. Of the six Non-Executive Directors, four are considered independent.

The Chairman, Eli Papouchado, is not considered independent as he is a Red Sea Party (Red Sea Party is defined for the purposes of the Disclosure Guidance and Transparency Rules in the Directors' Report at page 128). The Deputy Chairman, Kevin McAuliffe, is not considered independent due to his tenure of service. Mr McAuliffe has announced his retirement from the Board, and will not stand for re-election at the forthcoming Annual General Meeting.

All other Board members will stand for election or re-election at the forthcoming Annual General Meeting.

APPOINTMENT OF NEW DIRECTOR

During 2022, in keeping with our succession planning programme, the Board appointed an Independent Non-Executive Director. Marcia Bakker joined the Board as a Non-Executive Director on 6 December 2022. Her biography is available on page 93. She brings a wealth of experience in recruitment and accounting to her oversight role.

Prior to recruiting Ms Bakker, the Nomination Committee discussed the requirements of its succession plan, including consideration of each Board member's individual skills, competencies, knowledge and diversity, to ensure that we maintain an effective and strong Board. This process 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.

For more information on nominations and appointments, please see the Nomination Committee Report on pages 106 to 110.

BOARD POLICIES AND MATTERS RESERVED TO THE BOARD

Our Board is empowered to carry out its duties with consideration to its statutory and contractual obligations. Transparency in methodology and outcomes is supported through the following documented terms of reference and policies directing processes to:

- Articles of Incorporation
- Division of Board Responsibilities: Non-Executive Directors
- Schedules of Matters Reserved for the Board
- Board Committee Terms of Reference

The Directors have adopted a set of reserved powers, which establish the key purpose of the Board and detail 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

These reserved powers of the Board have been adopted by the Directors to clearly demonstrate the seriousness with which the Board takes its fiduciary responsibilities and as an ongoing means of measuring and monitoring the effectiveness of its actions.

Each Director may obtain independent professional advice at the Company's expense in the furtherance of their duties as a Director.

In appointing Marcia Bakker, the Nomination Committee received the professional assistance of the recruiting firm OSA Recruitment and Forster Chase.

The Board reviews all governance policies and Terms of Reference periodically to ensure the policies remain current and appropriate to the needs of the Board and Company.

For more information, see the Audit Committee report on pages 110 to 115.

EXERCISING OVERSIGHT AND ENSURING ADEQUATE TIME TO CARRY OUT DUTIES

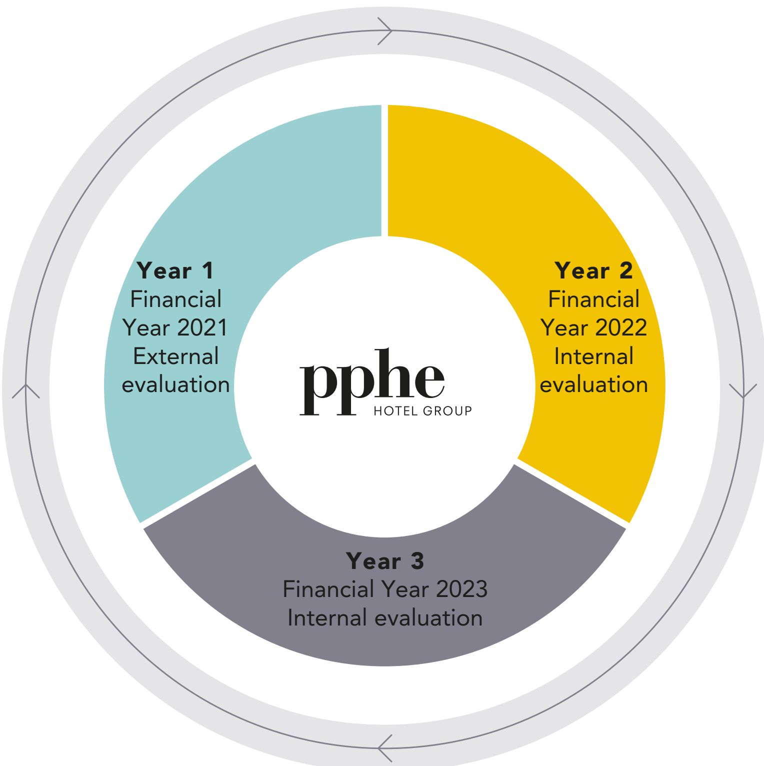
Board meetings allow for ample time to discuss and debate matters. Non-Executive Directors are required to ensure that they have sufficient time to meet their Board responsibilities, and are accountable to the Deputy Chairman for this.

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.

CHIEF CORPORATE & LEGAL OFFICER AND COMPANY SECRETARY SUPPORT

The Chief Corporate & Legal Officer and the Company Secretary ensure that Board receives accurate, timely and clear information which affords members the ability to have an open, constructive discussion and debate on material matters affecting the Group. 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 Chief Corporate & Legal Officer ensures compliance with the FCA's Listing Rules and Disclosure Guidance and Transparency Rules, and takes responsibility for information flow to the Board, and Committees of the Board in an appropriate and timely manner, to ensure effective decision-making. The Chief Corporate & Legal Officer is responsible for advising and supporting the Chairman, Deputy Chairman and Board on all governance matters with the support of the Company Secretary. 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 Chief Corporate & Legal Officer oversees the Group's corporate compliance and The Companies (Guernsey) Law, 2008 governance arrangements, practices and procedures, for the Group companies, including those below the Board level and throughout the workforce, to ensure that they are consistent with the standards and best practice of the Company, and aligned with the directions of the Board and the risk appetite of the Company as set by the Board.

EVALUATION OF DIRECTORS

An evaluation of the Board and its Committees is carried out every year and in every third year this is conducted by an external evaluator. In 2022, the evaluation was conducted by the Deputy Chairman, whilst in 2021 this was conducted by Independent Audit Limited, who have no connection with the Board or members of the Executive Leadership Team and are therefore completely independent. The evaluation includes consideration of the tenure of each Director and the mix of skills, experience and length of service. This feeds into the succession plan. Each Director confirmed that they have sufficient time to allocate to the Company to discharge their responsibilities effectively.

Progress made against the 2021 external evaluation was reviewed in 2022. Highlights of progress and actions are shown in the table on the next page. The purpose of the 2022 review of Board and Committee effectiveness was to follow up on the outcomes and recommendations of the 2021 external evaluation. The evaluation covered the full scope of the Board's and each Committee's work, and provided recommendations, suggestions and an overall assessment of effectiveness. The review found that 2022 was a year of positive progress.

CORPORATE GOVERNANCE *continued*

2022 BOARD EVALUATION SUMMARY (WITH UPDATES ON 2021 OUTCOMES)

2022 Identified focus area	2022 Outcome
Board	1. The resumption of "normal service" following the COVID-19 period was welcome, and the NED board members found their visits to the various hotels and head offices as well as the ability to meet again face to face to be of great benefit. 2. Board composition is optimised following the appointment of a further non-executive director. This follows Nomination Committee focus on succession planning, which will continue in 2023. The Board balances continuity at leadership level with appropriate refresh, which allows the Board to have the capacity and flexibility to accommodate the upcoming retirement of the non-executive deputy chairman. 3. Strategic engagement between the Board and Executive Leadership Team is working well. A recommendation to focus on stakeholder communication: – Board interaction with shareholders (see the Stakeholder Engagement section on pages 86 to 89) is a permanent and ongoing focus of the Board. – The Board appreciates engagement with the management layer below the Executive Leadership Team to further stakeholder strategic priorities. 4. Previous focus on risk management structure has delivered improvements. 5. Assessment of the focus, duration, and frequency of the quarterly Board meetings shows that previous recommendations have been implemented and delivered desired results. 2023 focus is on targeted improvements to the content and timing of Board papers. 6. On-boarding was reviewed following the appointment of Marcia Bakker, and the ongoing conduct of her induction programme.
Committees	The Board evaluation included a review of the functioning of each of the Board committees, including priorities for 2023.

Committee	2023 priorities
Audit Committee:	– Evaluating the potential impact of the Department for Business, Energy and Industrial Strategy (BEIS) consultation document on audit and corporate governance reform. – Continue to oversee the assurance plan over financial internal controls and work with the Head of Internal Audit and Risk to develop assurance plan for non-financial internal controls.
Remuneration Committee:	– Preparation for a new Remuneration Policy to be submitted for shareholder advisory vote in 2024.
Nomination Committee:	– Succession planning. – Completion of the Board induction programme for Marcia Bakker, including UK and Arena Hospitality Group site visits.
ESG Committee:	– Oversight of ESG strategy implementation and progress reporting, including on progress towards net zero target.

UPDATE ON 2021 PRIORITY AREAS AND 2022 OUTCOMES

Executive Summary of 2021 findings	1. The Board was "working well" and the focus on identified priorities will lead to improvements. 2. Increased engagement between the management team and the Board has proved valuable. (Focus into 2023 is on engagement through regular updates from the next layer of management.) 3. Succession Planning should continue to be the main focus for the Nomination Committee. 4. The Board should continue to monitor the time-management and format of Board meetings and papers. 5. Non-Executive Director discussions should prioritise strategy.

2021 Finding	2022 Outcome Update
Succession planning and Board experience	– Succession planning continues to be the priority for the Nomination Committee. – The appointment of a new Non-Executive Director has been completed. The Induction programme for Marcia Bakker is underway. The procedure for appointment included instructions to recruiters to ensure a short list implemented recommendations from the FTSE Women Leaders (formerly Hampton Alexander) Review and Parker Review. – The 2021 review noted that the Pandemic had restricted the induction of the most recently appointed Non-Executive Directors. The site visit programme in was welcomed by all Board members.
Risk management	– The Board is satisfied that increased resourcing for the risk management team is working well.
Board meetings and agendas	– Implementation of upgrades to the Board portal and the resumption of in-person Board meetings are working well. – The Board considered it would benefit from new standing agenda items.
ESG and Stakeholder Engagement	– The recommendation in 2021 for adoption of a strategy with targets has been implemented and approved by the ESG Committee. – The Senior Independent Director has prioritised shareholder engagement. The Board feels that good work has been done on identifying stakeholder priorities in 2022, but that further work on establishing stakeholder targets would be appropriate.
Strategy	– Evolution of the strategy from Pandemic response to recovery and growth has been successful, and the Board has been engaged and informed.

For more information, please see the Nomination Committee report on pages 106 to 110.

RESOURCING THE BOARD TO ENSURE IT MEETS ITS OBJECTIVES AND MEASURES PERFORMANCE AGAINST THEM

At all times, all Directors have access to the Chief Corporate & Legal Officer to ensure that they have appropriate, legally informed advice on all governance matters.
Where necessary, Directors have access to independent, external legal advice at the expense of the Company should they require it in order to discharge their responsibilities.

The Board carries out its duties with reference to documented obligations set out in law, contractual requirements, policies and terms of reference. The Chief Corporate & Legal Officer, aided by the Company Secretary, Carey Commercial Limited, ensures that the Board is adequately resourced for effective and efficient function.

Carey Commercial Limited as Company Secretary ensures that the Board procedures are complied with at all times, and carries out responsibilities set out in the Companies (Guernsey) Law, 2008 (as amended or replaced from time to time).

The Chief Corporate & Legal Officer oversees Group compliance with law, practice and procedure and supports the ESG Committee in the formulation and execution of the Group's ESG strategy and objectives.

BOARD MEETINGS – ESTABLISHING AND PROMOTING A CULTURE OF DEBATE AND DIVERSITY

The Board values diversity of opinion and differing viewpoints in executing its responsibilities. The Chairman ensures that time is made available for all opinions to be heard. In particular, the Board values a clear separation of responsibilities between the Executive Leadership Team and the leadership provided by the Board.
This ensures proper oversight, informed debate and diversity of thought.
Each member of the Executive Leadership Team oversees certain defined departments of the business and reports on the progress of these areas to the Board as and when relevant. The Company believes that this structure ensures effective communication between the Board and the Executive Leadership Team of the Company's business, and that no small group of individuals dominates the Board's decision-making.

Any concern expressed by Directors about the Company or its subsidiaries, or a proposed action, is recorded in the minutes of the meeting. Additionally, the Senior Independent Director takes responsibility for ensuring that all viewpoints are available to the Board.

NOTICES AND REVIEW OF ANY CONFLICTS ARISING

The notices of Board meetings, agendas and supporting documents are formally circulated to the Board in advance of Board meetings as part of the Board papers. Therefore, Directors have the opportunity to request that any agenda items be added that they consider appropriate for discussion.

BOARD MEETINGS – PROCEDURES

Standing agenda items

1. Strategy
2. Management updates from
   – Executive Directors
   – Executive Leadership Team
3. Update on corporate governance
4. Activity reports from Board Committee Chairs

Non-members in regular attendance

Deputy CEO & Operating Officer

Chief Corporate & Legal Officer

Regular Executive Leadership Team attendance of Board meetings is part of our succession plan. We seek to develop talent internally

Updates on corporate governance are provided by the Deputy Chairman and the Chief Corporate & Legal Officer

Additional items added to the agenda when required

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 two policies: The Conflicts of Interest Policy and the Significant and Related Party Transactions Policy. These policies are reviewed annually, and compliance training is regularly refreshed. The policies require that anyone with a potential conflict of interest promptly and without delay observes a formal procedure for reporting it, and having it reviewed by the Board with support from the Chief Corporate & Legal Officer. 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 relevant terms of reference and mandates set by the Code. In 2022 all Board Terms of Reference were reviewed internally without change. Annual review of governance documents is a requirement of best practice.

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, and that no one individual or group should be allowed to dominate decision-making.

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 three of the four Non-Executive Directors who were in place during the 2022 year maintained their independence throughout their respective tenures: Kenneth Bradley, Nigel Keen and Stephanie Coxon. The remaining Non-Executive Director, Kevin McAuliffe, is not independent within the meaning of

CORPORATE GOVERNANCE *continued*

the Code by virtue only of his tenure with the Board. The Alternate Director and Executive Board members are not independent. On 6 December 2022, Marcia Bakker joined the Board as a new independent, Non-Executive Director. Each Director is fully resourced as appropriate, and maintains time to perform their duties, using their independent judgment any individual or small group of individuals holding undue influence.

NON-EXECUTIVE DIRECTORS OVERSEEING MANAGEMENT

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, members of the Executive Leadership Team had monthly business update calls with the Non-Executive Directors in 2022 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 Executive Leadership Team has been found to be very effective as it allows the Non-Executive Directors to engage directly to ensure that management takes corrective actions in a timely manner.

DELEGATION AND COMMUNICATION BETWEEN THE BOARD AND THE EXECUTIVE LEADERSHIP TEAM

To ensure regular and meaningful interaction between the Board and the Executive Leadership Team, monthly business update calls take place. Attendees are Board, the Executive Leadership Team and other senior management as appropriate. Further, the Non-Executive Directors conduct sub-meetings following the business update calls without others in attendance to ensure good oversight.

ESG

Following the establishment of its new ESG Committee in 2021, 2022 has seen work take place on development of a new ESG strategy to ensure that the business not only meets its legal obligations, but is accountable to all its stakeholders for its effect on the planet and on society as a whole. You can read about this strategy document on pages 66 and 67. As part of its activities, the Committee reviewed its own composition and performance. It was noted that if ESG priorities are to become fully integrated into business strategy, maintaining a separate committee, in current form, in the medium to long term may not be desirable. However, it was felt that as Directors increased their knowledge and skills base on ESG matters, and for the purpose of monitoring the implementation of the new strategy, the ESG Committee would remain a necessary part of the governance structure for 2023.

2022 has seen the creation of a new ESG strategy, which we have been very happy to oversee. You can read the strategy in full on our website; however, its objective is to ensure that all of our activities are directed to making our business responsible and adaptable to the changing world. We think this document will enable all our stakeholders to hold us to account for our performance against the four pillars. Targets and goals, and reporting on those allow us to increase transparency and ensure that our activities are directed towards a strategic goal.

CULTURE AND VALUES

The Board keeps all internal policies under annual review. The aim of refreshing policies is to ensure that 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.

While refreshing these policies, our Directors dedicated time to reviewing best-practice developments, assessing performance and optimising our approach to ensure that our policies and procedures reflect the core values of the Group.

BOARD AND COMMITTEE MEETINGS

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

In line with investor priorities, and to ensure good governance, the Company has established the following Committee

- ESG Committee

Our Board

Strategy. Purpose. Culture. Communications.

Sets the strategy and commercial vision, leading with integrity, promoting culture.

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

Nomination Committee

Develops. Plans. Evaluates. Nominates.

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

Report available on pages 106 to 110

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

Audit Committee

Transparency. Accuracy. Monitors. Aligns.

Oversees risk management, internal controls, audit functions and financial systems.

Report available on pages 111 to 115

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
- Oversees risk management and reviews the effectiveness of the Group's systems of internal controls and risks
- Oversees ethics and compliance for the Company
- Reviews and oversees the Group's internal and external audit functions

Remuneration Committee

Values. Culture. Talent proposition.

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

Report available on pages 118 to 125

Responsible for Remuneration Policy and for setting salary and bonus levels for senior management and employee benefit structures.

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

ESG Committee

Future plans. Safeguards. Sustains.

Oversees the approach to sustainability and adding value for our people, our places and our planet.

Report available on pages 116 and 117

Responsible for reviewing the TCFD report, and proposing strategy and targets to the Board

- TCFD reporting
- Oversees the Group's environmental and social impact
- Sustainability and ethics
- Liasing with ESG specialists/ consultants

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

BOARD AND COMMITTEE 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 of Directors	Nomination Committee	Audit Committee	Remuneration Committee	ESG Committee
Eli Papouchado	C				
Yoav Papouchado	Alternate Director				
Kevin McAuliffe	●	●			
Nigel Keen	●	●	●	C	
Kenneth Bradley	●	C	●	●	C
Stephanie Coxon	●	●	C	●	●
Marcia Bakker	●	●	●	●	●
Boris Ivesha	●				
Daniel Kos	●				

Board of Directors
Audit Committee
Nomination Committee
Remuneration Committee
ESG Committee
C Chair

BOARD AND COMMITTEE MEETINGS IN 2022

JAN	A
FEB	B, B (Ad-hoc), A, R, N, E
MAR	
APR	B (Ad-hoc), B (Ad-hoc)
MAY	B, N, A, R, Annual General Meeting
JUN	B (Ad-hoc), N
JUL	
AUG	B, B (Ad-hoc), A, R, N, E
SEP	B (Ad-hoc)
OCT	
NOV	B (Ad-hoc), A, R, N, E
DEC	B, R

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

BOARD AND COMMITTEE MEETINGS

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		ESG Committee meetings		Ad-hoc Board meetings
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Eli Papouchado	4	4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1
Yoav Papouchado *Alternate Director*											2
Kevin McAuliffe	4	4	N/A	N/A	N/A	N/A	4	4	N/A	N/A	5
Nigel Keen	3	4	5	5	4	4	5	5	N/A	N/A	5
Kenneth Bradley	4	4	5	5	4	4	5	5	3	3	5
Stephanie Coxon	4	4	5	5	4	4	5	5	3	3	3
Boris Ivesha	4	4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4
Daniel Kos	4	4	N/A	N/A	N/A	N/A	N/A	N/A	1	1	5

Not all directors were required to be present at every ad-hoc Board meeting. Each ad-hoc Board meeting was quorate

BOARD MONITORING CULTURE

The Board takes steps to monitor the culture within the organisation. The following tools allow the Board to keep abreast of workforce culture:

- Pulse surveys
- Online guest reviews
- Social media
- Employer review sites
- Compliance training records
- Hotel audits

Data from these sources is available at Board level to monitor the health of the culture within the business. Aligning culture to the values and purpose of the business is key to success.

NOMINATION COMMITTEE REPORT

KENNETH BRADLEY
CHAIR OF THE NOMINATION COMMITTEE

DEAR STAKEHOLDER,

The Nomination Committee has joined with the Board and other Committees in having spent 2022 concentrating on delivering on stakeholder priorities. Good governance is achieved by assembling a diverse Board with the requisite expertise, and with this in mind, we have worked to deliver on the priorities of stakeholders and the Corporate Governance Code 2018.

SUCCESSION PLANNING

We are aware that we are some way from meeting Board diversity targets, and have taken on board feedback from stakeholders on this subject. This business thrives on the experience and expertise of its founders, and this must be balanced by independent oversight. One measure we are taking to address the issues of diversity and succession planning is to include internal talent development as a target in our new ESG strategy. We consider this to be the best way to remain steady and true to its culture and values.

Membership of the Nomination Committee and meeting attendance

Name of Director	Meetings attended and eligible to attend
Kenneth Bradley (Chair)	5/5
Stephanie Coxon	5/5
Kevin McAuliffe[1]	4/4
Nigel Keen	5/5
Marcia Bakker[2]	N/A

1 Mr McAuliffe has announced his forthcoming retirement from the Board of PPHE Hotel Group. At the meeting of the Committee held on 17 June 2022, his succession was the principal agenda item, and it was therefore deemed not appropriate for him to be in attendance by the Chair.
2 Marcia Bakker was appointed to the Board on 6 December 2022, and joined the Committee after its December meeting.

NOMINATION COMMITTEE'S 2022 ACTIVITIES AND FOCUS

FUNCTION	ACTIONS IN 2022
Board and Committee composition	– Reviewed the composition of the Board to support the strategy, values and culture of the business – Reviewed the results of the external Board evaluation conducted in 2021 by Independent Audit Limited – Considered the Committee's own performance and constitution to ensure that it is operating at maximum effectiveness – Approved a new Board Diversity Policy – Completed recruitment of a new Non-Executive Director, and assessed the recruitment's impact on the Board skills matrix and diversity
Board nominations	– Appointed an additional Non-Executive Director following a recruitment process supported by independent recruitment specialists, OSA Recruitment and Forster Chase – Commenced onboarding and induction process for new Non-Executive Director – Commenced process of nominating a new Non-Executive Deputy Chairman following the Board Succession Plan
Succession planning for Directors and senior management	– Regularly reviewed and considered succession planning of the Board and Executive Leadership Team
Diversity and talent development	– Reviewed and updated the Board Diversity Policy – Conducted appointment of new Non-Executive Director using the principles set out in the FTSE Women Leaders and Parker Reviews
Workforce engagement	– Site visits in Amsterdam Hotels and Corporate Office, site visits by Committee members in Croatia – Met relevant members of senior management on a monthly basis to raise and identify concerns relating to workforce, such as recruitment and talent retention challenges and how to meet volatile demand

BOARD COMPOSITION

There are changes to Board composition to announce. Kevin McAuliffe, our long-standing Non-Executive Deputy Chair, has made the decision to retire from the Board effective at the Annual General Meeting in 2023. Kevin's help in onboarding all of us as Non-Executive Directors has been invaluable, and his experience and leadership will be missed. His responsibilities will be assigned to an independent Non-Executive Director following his departure.

We are very pleased to welcome Marcia Bakker to the Board as a Non-Executive Director, Marcia brings her long experience in accountancy and executive recruitment to the Board. Kevin's retirement and Marcia's appointment mean that the average length of service for each Board Director is reduced. This serves the good governance principle that directorial independence and regular refresh are fundamental to good governance.

LOOKING AHEAD

The Nomination Committee's task is to look to the future, and ensure that there is the best possible leadership from those tasked with the responsibility of ensuring the long-term, sustainable success of the business for everyone. Along with Kevin's replacement, 2023 will be spent looking at the issues raised by stakeholders in their feedback. I am very happy to present this Nomination Committee Report to the Board.

NOMINATION COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

Throughout the year 2022, the Committee was composed of four Non-Executive Directors, who were joined by Marcia Bakker after her appointment to the Board.
Three of those Directors are considered to be independent. Each Director is individually and the Board is collectively subject to an annual evaluation. This evaluation considers the independence of each Director. No member of the Nomination Committee is considered to have a personal financial interest in matters to be decided by the Committee.

BOARD SUCCESSION PLANNING

The Board and the Executive Leadership Team meet monthly for a formal update session, and are closely in touch constantly. For every senior position, we have worked hard to ensure that there is an internal development pipeline, with suitable candidates selected and prepared.

The importance of independence and diversity of experience, and regular Board refresh means we also look externally for certain roles, including that of Non-Executive Director. We use external, independent recruitment consultants, who assisted in the appointment of Marcia Bakker.

The Committee, having determined that the Board would benefit from the appointment of an additional Non-Executive Director,instructed independent specialists, OSA Recruitment and Forster Chase, to assist with finding a suitable candidate. Neither independent business had links to the Company or any of Directors on appointment. Instructions to the recruiters were prepared with criteria derived from the skills matrix maintained as part of the succession plan, and the requirements of our diversity targets.

Marcia Bakker's selection was based on the objective criteria that the Board required additional remuneration and HR expertise that her recruitment background provided, and that her accountancy background improved the relevant financial experience of the Non-Executive Board members.

All Non-Executive Directors with the exception of the Chair and the outgoing Non-Executive Deputy Chairman were appointed after 2018. We consider this an important element of ensuring that we respect the Corporate Governance Code provisions relating to tenure. The Chair and our Executive Directors represent the voice of experience in consistent delivery of value to stakeholders, with newer, diverse independent perspectives on the Board acting in oversight.

When considering candidates for appointment, the existing commitments of candidates are also considered in light of the time commitment required to engage with key stakeholders, understand the business, carry out the duties required for a Non-Executive Director and avoid conflicts of interest. Prior Board approval is required by any Director wishing to take on an additional external appointment.

EXECUTIVE LEADERSHIP TEAM SUCCESSION PLANNING

In 2022, we saw changes to our Executive Leadership Team. With the departure of our Executive Vice President for People & Culture, People & Culture and HR are now managed within the regions, with a reporting line directly to the Deputy CEO.

We believe that the smooth transition to the new arrangements demonstrates the robustness of our internal development strategy and succession planning based on merit and objective criteria, and within this context promotes diversity of gender, social and economic backgrounds and cognitive and personal strengths.

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 as a whole.

> *This serves the good governance principle that directorial independence and regular refresh are fundamental to good governance.*

NOMINATION COMMITTEE REPORT *continued*

BOARD INDUCTION PROGRAMME

MARCIA BAKKER INDUCTION PROGRAMME 2022 – 2023

Following each new appointment, a bespoke training programme is arranged for the relevant new director to introduce them to the various elements of the business allowing them to better understand its operation and aspirations so that they may provide improved contributions to the Board. This induction process also covers relevant laws (e.g. Money Laundering, the Market Abuse Regulation, the Listing Rules and the Disclosure Guidance and Transparency Rules). This induction is a formalised process owned by the Deputy Chairman the Chair of the Nomination Committee and Chief Corporate & Legal Officer.

> *The training's content is bespoke to each new individual based on their skills as identified during the recruitment process, experience and familiarity with the real estate and hospitality industries.*

As well as the legal duties of Directors, it is important to familiarise Directors with the Company's strategic aims, purpose, operations, regulatory climate, stakeholders, and corporate governance practices. The programme of induction in 2022 and 2023 for Marcia Bakker is included in the table.

INDEPENDENCE AND TENURE OF THE 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 their first appointment (although such time can be extended to facilitate effective succession planning and development of a diverse Board) and that the Chair should be independent on appointment. These provisions are intended to ensure that the Chair is independent of management

As a business, we do not meet this recommendation. We believe that our reasons for departing from it are robust. The Nomination Committee is of the view that Mr Papouchado's investment in the long-term success of the Company allows him to lend a critical eye to management in an independent and objective manner, and aligns his interests with those of other stakeholders.

We are sensitive to stakeholder feedback about these matters, and changes to the Board reflect the need for robust, independent scrutiny by a regularly refreshed panel of diverse experience and skills.Our Non-Executive Deputy Chairman is stepping down, allowing this role to become independent as a counter-balance to the non-independence of the Chair. Nigel Keen's role as Senior Independent Director also acts as a check to maintaining appropriate governance of the Board, serving as an intermediary for other Directors, offering a line of communication with shareholders and challenging the Board (including the Chairman) when he deems necessary. We believe the oversight that our Non-Executive Directors, led by Nigel as the Senior Independent Director, are able to provide we believe mitigates any risk associated with the non-independence of the Chair.

Our continued focus on engagement with stakeholders is a key component in ensuring that the great contribution made by Mr Papouchado to the long-term success of the business does not interfere with our duty to prioritise the interests of our investors and other stakeholders.

With due regard to the turmoil in the market since 2020, and the likelihood of further macroeconomic difficulty to come, the value of experience and continuity provided by Mr. Papouchado is not to be underestimated. The business relies on his unique 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.The Nomination Committee and the Board as a whole remains convinced that experience and continuity on the Board is essential to safeguarding the resilience of the business and identifying growth opportunities in the interests of all our stakeholders and society as a whole. The Nomination Committee has therefore made the following decisions:

– that any deviation from the Code is subject to continuing review to ensure it has a robust justification that can be clearly and transparently explained to shareholders to their satisfaction, as in this case; and
– that Mr Papouchado be recommended for reappointment as Chair in 2023.

BOARD DIVERSITY

The Nomination Committee takes responsibility for diversity, equity and inclusion. As part of this, we annually consider the gender balance of those in senior management and their direct reports. Our Board and Executive Leadership Team consist of both men and women and include talented and committed individuals whose business experience, geography, age, gender and ethnicity are varied.

The Board maintains a Board Diversity Policy covering all diversity characteristics protected by the Equality Act 2010 which is reviewed annually by the Nomination Committee and proposed for annual adoption by the Board. In proposing the 2022 policy, the Nomination Committee recommends changes where it deems appropriate in light of the current Board composition.

The updates to the policy in 2022 included:

– an explicit commitment that the Diversity Policy applies to all Committees of the Board as well as the Board as a whole;
– an explicit reference to the targets set by the FTSE Women Leaders and Parker Reviews, and a commitment that any short list of candidates for future Board appointment will contain diverse candidates;
– a commitment to internal talent development and promotion from within.

The Diversity policy approval process is open to discussion and debate. In 2022, we noted the updates to the Disclosure Guidance and Transparency Rules (DTRs) and Listing Rules (LRs) regarding diversity, and incorporated these into the Board Diversity Policy accordingly.

SUCCESSION PLANNING, DIVERSITY AND BOARD AND COMMITTEE REVIEWS

May 2022	June 2022	August 2022	November 2022
Evaluation of Directors – ESG Training for Directors identified in gap analysis N	Succession planning N	Succession planning N	Due diligence for appointment of new Non-Executive Director N
Succession planning N	Update to Board Diversity Policy N	Board evaluation gap analysis N	Group-wide Gender balance N
Appointment of additional Non-Executive Director (candidate review, diversity considerations) N		Appointment of OSA Recruitment and Forster Chase to recruit additional Non-Executive Director N	

NOMINATION COMMITTEE REPORT *continued*

DIVERSITY DISCLOSURES:

Reporting on gender identity or sex	No. of Board members	Percentage of the Board	No. of senior positions on the Board (CEO, CFO, SID and Chair)	No. in executive management	Percentage of executive management
Men	6	75%	4	6	75%
Women	2	25%	0	2	25%
Other categories	0	0	0	–	–
Not specified/prefer not to say	0	0	0	–	–
Reporting on ethnic background					
White British or other white (including minority white groups)	8	100%	4	8	100%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

The benefits of diversity are that the Board is able to provide the Executive Leadership Team with a wide range of experiences and perspectives. The more diverse the background of Board members, the broader the range of ideas that can bring innovation to our Company's mission. The Committee takes responsibility for implementing the Board Diversity Policy and linking it to the objectives of the Company and Company strategy. We review how the policy has been implemented and progressed.

All appointments to the Board are made on a merit basis and are viewed holistically. We are absolutely committed to appointing 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 for the benefit of our stakeholders. Ensuring diversity of experience, viewpoint and skill set on the Board is the priority, but reaching the FTSE Women Leaders and Parker Review targets is incorporated into the recruitment process by including them in instructions to our specialist recruiters. It is our aim to ensure that any short list of candidates contains at least one candidate to assist us in reaching our targets.

We are aware that in our 2023 Annual Report, we will be required to increase our diversity reporting. We have taken the decision that we should begin reporting in this format in our 2022 Annual Report and Accounts in order to ensure that we are as transparent about these issues as early as possible.The Board and senior management are a unified voice for the Company'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 and perspectives 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 issues of diversity, equity and inclusion, including the mix of gender and ethnicity of those in senior management and their direct reports.

Where possible, we actively support events in our community that celebrate diversity, equity and inclusion. Diversity, in all respects, is of great value in collective decision-making at every level of the organisation. Our Diversity Policy, and indeed our approach to recruiting new Directors and other members of the Executive Leadership Team and setting up our talent pipeline, supports a culture of inclusion and diversity.

NOMINATION COMMITTEE'S 2022 ACTIVITIES AND FOCUS

Senior management
The Board and senior management are a unified voice for the Company'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 and perspectives 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 issues of diversity, equity and inclusion, including the mix of gender and ethnicity of those in senior management and their direct reports.

Workforce
Where possible, we actively support events in our community that celebrate diversity, equity and inclusion. Diversity, in all respects, is of great value in collective decision-making at every level of the organisation. Our Diversity Policy, and indeed our approach to recruiting new Directors and other members of the Executive Leadership Team and setting up our talent pipeline, supports a culture of inclusion and diversity.

AUDIT COMMITTEE REPORT

STEPHANIE COXON
CHAIR OF THE
NOMINATION COMMITTEE

Membership of the Audit Committee and meeting attendance

Name of Director	Meetings attended and eligible to attend
Stephanie Coxon (Chair)	5/5
Nigel Keen	5/5
Kenneth Bradley	5/5
Marcia Bakker[1]	NA

1 Marcia Bakker was appointed on 6 December 2022.

DEAR STAKEHOLDER,

I am pleased to present the Company's Audit Committee report for the year ended 31 December 2022. The following pages outline how the Audit Committee discharged the responsibilities delegated to it by the Board over the course of the year, and the key areas of focus for the Audit Committee.

This Audit Committee performs a crucial role in providing independent oversight over the financial reporting process, internal audit processes and the Company's risk management and internal controls. It provides expert scrutiny to ensure the Company's performance is correctly verified by the external auditors and that the reporting of this to our stakeholders is fair, balanced and understandable.

The recovery from the Covid 19 pandemic and the new headwinds presented in 2022 (increased interest rates, utility rates and tough labour market) have continued to be a major focus of the Audit Committee. The impact of this on the Group's risk assessment and internal control arrangements was assessed for appropriateness by the Audit Committee on a regular basis. This has led to the Audit Committee adapting the internal audit plans to ensure they aligned with the key risks highlighted in the Company's risk management system. Whilst also monitoring resourcing to enable the internal audit function to deliver on various assurance programmes.

Looking further out, the Audit Committee is evaluating the potential impact of the Department for Business, Energy and Industrial Strategy (BEIS) consultation document on audit and corporate governance reform to ensure the Group will be ready once it becomes effective.

I would like to welcome Marcia Bakker to the Audit Committee and to thank those who have assisted the Audit Committee in fulfilling its duties during the year, providing independent oversight with the support of assurance from the external auditors.

The 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 and assess the quality of the external audit process as well as the external auditors' independence.

The Audit Committee receives and reviews information from the Deputy Chief Executive Officer, the Chief Financial Officer, the Chief Corporate & Legal Officer, the Head of Internal Audit and Risk, 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.

Carey Commercial Limited carries out Company Secretary services to ensure the Audit Committee has the policies, processes, information, time and resources needed to function effectively and efficiently. The Audit Committee regularly reports to the Board on how it has discharged its responsibilities.

The Audit Committee's terms of reference can be found on the Company's website.

AUDIT COMMITTEE REPORT *continued*

Effectiveness of the Audit Committee
A comprehensive Audit Committee evaluation was performed by the Audit Committee Chair to assess the effectiveness of the Audit Committee and ensure that the composition and work of the Audit Committee complies with the Code. While it was concluded that the Audit Committee remained effective, there were areas of focus identified and built into the objectives of the Audit Committee.

The focus areas of the Audit Committee this year have been around;

- Financial controls – to oversee an assurance programme to test the effectiveness of the controls in place and look to use data analytics where possible.
- External audit – to make sure the Audit Committee challenged and was comfortable with the external audit approach given the recovery from the pandemic and new headwinds facing the Company and wider hospitality sector, and also to look for new challenge from the external auditors given the new EY audit partner in place for the FY22 audit.
- Internal audit plan and resourcing – to ensure that an internal audit plan is set which aligns to the risks highlighted in the ERM system and that the internal audit team have enough resources to deliver the plan.
- Management information – to make sure this is fit for purpose to allow for the Non-Executive Directors to make informed decisions.
- ESG – working alongside the ESG Committee to ensure that the TCFD reporting, in the accounts are fair, balanced and understandable, and incorporating the impact of climate change into the Group's ERM system.

AUDIT COMMITTEE'S 2022 ACTIVITIES AND FOCUS

FUNCTION	ACTIONS IN 2022
Monitor the Group's financial statements	– Reviewed the form and content of the Annual Report and Accounts, to ensure that it is fair, balanced and understandable, and the associated announcements – Reviewed the Interim Report and Financial Statements for the period ended 30 June 2022 and the related announcements

Monitor and review the effectiveness of the Group's system of internal controls and risks	– Received regular updates on the internal audit and ERM, including:
	  – the financial control framework ; and
	  – risk incidents and mitigating actions
	– Received regular updates on and reviewed emerging risks
	– Updated principal risk schedule and ERM framework
	– Conducted internal assessment of the Audit Committee's performance to ensure effectiveness
	– Set the internal audit plan for FY22 and other assurance requirements, and monitor the progress throughout the year. Selected deep-dive internal audits over areas highlighted in the enterprise risk management system, e.g. data privacy and operational resilience
	– Monitored and reviewed the effectiveness of internal audit function
	– Considered the structure of internal audit and incorporated data analytics to assist in this area
	– Continue to assess appropriateness of reporting from subsidiaries

Oversee ethical dealings and compliance for the Group	– Reviewed the Significant and Related Party Transaction Policy – Reviewed and approved a number of the Group's updated ethical policies including its Whistleblowing and Anti-Bribery & Corruption policies – Reviewed the Policy for the Approval of Non-Audit Services – Reviewed the financial management information being presented to the Board to make sure it is fit for purpose – Met with compliance and governance teams for update on compliance and governance matters
Review the Group's external audit function	– Considered the audit and interim planning report from the external auditors – Considered the annual and interim findings report from the external auditors – Aside from the formal reporting, regular informal communications with the external auditors during the audit process – Met with subsidiary auditors to discuss the status of the subsidiary audits – Evaluated the performance of the external auditors – Considered the tenure of the external auditors – Considered the external auditors' independence and non-audit services

Relevant skills and experience
The Audit Committee is composed entirely of independent Non-Executive Directors, each having relevant skills and experience as prescribed by the Financial Report Council Corporate Goverance Code ('Code') and each bringing an independent mind-set to their role. The Audit 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. For further details, please see the Directors' biographies on pages 92 and 93.

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.

Audit Committee schedule and resources
The Audit Committee meetings are scheduled a week ahead of the Board meeting to allow for any work arising from the Audit Committee meeting to be carried out and reported to the Board as appropriate.

The Audit 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 receives monthly financial, IT, operational performance and strategic updates from the Chief Financial Officer, Deputy Chief Executive Officer, Chief Corporate & 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 Internal Audit and Risk, who reports directly to the Audit Committee. The Audit Committee is satisfied that it had access to the resources necessary to discharge its responsibilities in 2022.

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 remained 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 up until signing this Annual Report.

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 independence and performance of the external auditors and the quality of the audit process, with a recommendation on whether to propose to the shareholders that the external auditor be re-appointed. Kost Forer Gabbay & Kasierer were re-appointed for a further tenure of one year at the Company's Annual General Meeting in 2022.

The 2022 external audit will be Kost Forer Gabbay & Kasierer's ninth year of appointment as the Company's external auditors (17th year of an Ernst & Young Global member firm). The Company has a policy of tendering the external audit at least every ten years. 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.

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.

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

In November 2022, the external auditors presented their proposed audit plan to the Audit 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 Audit Committee also arranged for the external auditors to present their findings to them following their annual audit, which provided the Audit 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 Audit Committee can confirm that it is satisfied with the Group's external audit functions and the integrity of its financial and narrative statements.

During the year, the Audit Committee has asked the external auditors to look at three main areas:

– Hedging instruments – at the date of acquisition the external auditors were consulted to ensure that the interest rate swap agreements entered into during the year were accounted for correctly. The external auditors liaised with their own technical department with the terms of each transaction and confirmed the accounting treatment used by the Group was in accordance with IFRS 9.
– Internal controls – we asked the external auditors to provide specific feedback on the Group's internal controls and how the Groups internal controls compared to similar hospitality groups. The external auditors provided their feedback as part of the final audit closing meeting with positive results.
– Related party transactions – given the development of Hoxton is ongoing with GC Management we asked the auditors to provide written feedback in their final audit findings document. The external auditors confirmed that all material related party transactions are appropriately disclosed and recorded in the consolidated financial statements.

AUDIT COMMITTEE REPORT *continued*

When the external auditors present their findings the Audit Committee 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. This also allows the Audit Committee to understand how the external auditors had been professionally sceptical in their procedures and discuss any areas which they have challenged management on. 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 pages 130 to 133.

Review of the external auditors
The Audit Committee 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 performed a comprehensive evaluation on the performance of the external auditors during the year. The feedback showed an overall level of satisfaction, however there was some additional information the Audit Committee felt would be helpful to receive, for example; insights around upcoming corporate governance changes and TCFD reporting requirements. The audit fees due to the external auditors amounted to £300,007 (2021: £268,586).

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

The Company has adopted a policy on the engagement of the external auditors 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 auditors. The policy is in line with the recommendations set out in the FRC's Guidance on Audit Committees and the requirements of the FRC's Revised Ethical Standard (2019). The Audit Committee regularly reviews this policy for necessary changes in response to changes in related standards and regulatory requirements and monitors compliance with this policy.

Total non-audit fees amounted to £61,452 (2021: £61,783) consisting of the interim review of the Group's half-year financial results. Although this is considered to be a non-audit service, the objective of the interim review is aligned with the audit. The Audit Committee considered the provision of the non-audit service during the 2022 year and was comfortable that the nature and extent of non-audit services provided did not present a threat to the external auditors' objectivity or independence.

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

The Audit Committee follows the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Audit Committee monitors and reviews the effectiveness of the internal audit function and meets with the Head of Internal Audit and Risk on a monthly basis to review the progress of the internal audit programme, among other things. The Audit Committee meets with the Head of Internal Audit and Risk at each Audit Committee meeting and does so without the presence of the Board and the Executive Leadership Team, unless specifically invited by the Chair, to discuss matters relating to its remit and any issues arising from the internal audits.

On an annual basis the Audit Committee meets with the Head of Internal Audit and Risk to agree the work plan for the year ahead. The Audit Committee also reviews whether the Head of Internal Audit and Risk has the proper resources to enable him to satisfactorily complete such work plans. In 2021, the Audit Committee identified that additional resource was required in the internal audit team to meet the internal audit work plan set out by the Audit Committee.

As a result, a new team member joined in early 2022 with a focus on providing internal audit assurance over the financial internal controls. The resourcing of this team is due to be looked at in the first half of 2023 to assess if there is enough capacity in the team.

Throughout the year, the internal auditor reports on the progress of the internal audit work plan and action point status. The Audit Committee regularly reviews reports and considers the Board'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.

In line with the 2022 internal audit work plan, the Audit Committee instructed the Head of Internal Audit and Risk to perform work focused on the following:

- HR Master Data and Payroll-to perform key control execution and effectiveness testing in relation to the Hire to Retire (HTR) processes and risks documented in the established Financial Control Framework.
- Procure to Pay-to perform key Control Execution and Effectiveness Testing in relation to the key Procure to Pay (PTP) processes and risks documented in the established Financial Control Framework.
- GDPR compliance- to assess the adequacy of the Group's compliance programme and procedures in place to protect the business from a breach of the General Data Protection Regulation (GDPR) which could result in financial penalties and reputational damage.

- Operational resilience- to assess the adequacy and effectiveness of the organisation's approach to business continuity management (BCM) and the extent to which it contributes to the capability of the organisation to continue the delivery of its services at acceptable levels following a disruptive incident.
- Cyber security- third party review of cyber security through penetration testing of the Company's core infrastructure.

All these areas were highlighted in the ERM system or form part of the Financial Assurance Programme. I am pleased to report that an additional resource was added to the internal audit team from the beginning of 2022 to assist with delivering the internal audit programme.

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

Looking forward to the future, the internal audit team is looking at data analytics and how this can be used to monitor real time and provide some real insights to the Audit Committee and the business.

Financial controls

The established Financial Control Framework has been reviewed by the Chief Finance Officer and wider finance leadership team during 2022. The framework maps financial controls across the business and identifies control owners. The control owners are asked to confirm compliance with the expected controls through self-certification.
The framework is also subject to routine internal audit testing as part of the Financial Assurance Programme.

Enterprise Risk Management

The Board is responsible for risk management with guidance from the Audit Committee.
A standing agenda item in every Audit Committee meeting is consideration of the Company's risk register, with the main focus on key risks.

The Audit Committee monitors the Company's risk management system and controls to review their effectiveness.

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 appetite 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 geo-political 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 geo-political matters.

The internal audit and risk function continues to work with the various business functions in order to formulate: (i) functional level risk registers; and (ii) an emerging risk profile. The Audit Committee oversees the ERM function and continuously reviews and challenges the output. To ensure the ERM function's independence and objectivity, the Head of Internal Audit and Risk reports directly to the Audit Committee.

The Head of Internal Audit and Risk has continued to work closely with a third party consultant on incorporating and assessing climate change risks in the ERM system. This process has been overseen by the Audit Committee and for further details on these risks please see the TCFD report on pages 70 to 73.

The detailed assessment of the principal risk, emerging risks and uncertainties facing the Group is included on pages 78 to 84.

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 annual and interim statements and other governance statements is carried out by the Board, in accordance with the Schedule of Matters Reserved for the Board.

In relation to the 2022 Annual Report and Accounts, the significant issues considered and where the Audit Committee challenged the Executive and senior management were the following:

- Going concern – This continues to be an area of focus for the Audit Committee. The Audit Committee considered the appropriateness of the going concern assessment and associated judgments around material uncertainties as disclosed in Note 1(c) to the financial statements.
- Impairment testing – The Group's impairment review requires significant judgment in estimating the recoverable amount of its intangible assets, property, plant and equipment and the IFRS 16 right-of-use asset. The Audit Committee had a robust conversation with the Chief Financial Officer on the methodology used to determine the impairment reviews.
- Alternative Performance Measures – The Audit Committee in reviewing the Annual Report and Accounts has challenged management on their use and definitions of APMs. As a result an APM glossary has been added at the back of the Annual Report and Accounts.
- Climate change/ESG – As mentioned earlier in this report, the Audit Committee has had in depth conversations with the Head of Internal Audit and Risk when overseeing the climate change risks in the ERM system. The Audit Committee had a robust discussion over the key assumptions and judgments used in assessing for impairment.

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.

ESG COMMITTEE REPORT

KENNETH BRADLEY,
CHAIR OF THE ESG COMMITTEE

Membership of the ESG Committee and meeting attendance

Name of Director	Meetings attended and eligible to attend
Ken Bradley (Chair)	3/3
Stephanie Coxon	3/3
Marcia Bakker[1]	0/0

1 Marcia Bakker was appointed on 6 December 2022.

DEAR STAKEHOLDER,

2022 has been a busy year for ESG. We have overseen a materiality assessment exercise to gather stakeholder views on what ought to be our ESG priorities in the future, and we have used that information to set the business targets, performance against which will become a standing item on our committee agenda.

Continuation of the Committee

This is our first Committee report in the Annual Report and Accounts for the company. The Committee takes the view that in the short to medium term, an dedicated oversight committee for ESG is of benefit to the Company, but we believe that as implementation of our ESG Strategy embeds these issues into the ways of doing business, in the long-term, the responsibilities of the committee will converge with those of our other Board committees, leading to a point where a separate ESG Committee is redundant.

Strategic oversight

We are very pleased to announce new ESG targets in our strategy. Targets can only be set once we are satisfied we have the correct data for our baseline position, and whilst this work is ongoing in some areas, for example, water consumption, a great deal has been done this year in establishing carbon baselines, most notably for Scope 3 (supply chain) emissions.

This work is challenging. Carbon from the supply chain is less under our control than the decisions we can make for our own emissions under Scopes 1 and 2. Reduction in emissions cannot simply be achieved on our own, but on an ongoing basis through strategic partnership with our suppliers.

Strategic outcomes

Carbon reduction is an urgent priority for all businesses, and therefore, as you can read in the strategy on pages 70 and 71, we have set a target to achieve carbon net zero. We are committed to achieving an absolute maximum of carbon reduction through offsetting our emissions of 10%. When we look at Scopes 1 and 2, we are already consuming only certified renewable electricity in the regions where that is available (the UK, Netherlands and Germany), so the challenge is the elimination of gas from our energy supply. Looking at Scope 3, we have conducted a detailed review of food and beverage carbon footprint, and will be doing the same for our real estate and construction activities starting in 2023.

Social targets
We are looking at diversity, equity and inclusion in our working practices, as well as labour standards and human rights across the supply chain. 'People' is one of the four new pillars of our strategy, and our targets prioritise wellness, learning and development and diversity, equity and inclusion.

Governance
Good governance is the foundation stone of stakeholder confidence in the business and its long-term sustainability. We therefore consider it important that performance against ESG non-financial metrics forms part of remuneration.

ESG COMMITTEE'S 2022 ACTIVITIES AND FOCUS

FUNCTION	ACTIONS IN 2022
Performance of the Committee	– Reviewed the Committee Terms of Reference. – Commissioned Board-level training in 2023 for ESG for all Board members to ensure Board skills matrix is complete.
Oversight of Climate-related risk and reporting	– Reviewed the climate risk assessment undertaken for TCFD reporting – Approved TCFD report for publication.
Diversity, Equity and Inclusion (DEI)	– Horizon scanning for best practice in DEI practices and reporting
ESG Strategy	– Review of double-materiality assessment exercise and conclusions – Oversight of development of ESG Strategy, including data-gathering projects and scrutiny of value-add from membership of Industry forums

REMUNERATION COMMITTEE REPORT

NIGEL KEEN
CHAIR OF THE
REMUNERATION COMMITTEE

Membership of the Nomination Committee and meeting attendance

Name of Director	Meetings attended and eligible to attend
Nigel Keen (Chair)	4/4
Stephanie Coxon	4/4
Kenneth Bradley	4/4
Marcia Bakker[1]	N/A

1 Marcia Bakker was appointed to the Board on 6 December 2022.

DEAR STAKEHOLDER,

It is my pleasure to present the Remuneration Report for the year ended 31 December 2022. The report will be presented for an advisory vote of shareholders at the forthcoming Annual General Meeting.

The current Remuneration Policy has been approved by the shareholders through an advisory vote in the 2021 Annual General Meeting for the years 2022-2024.

2022 has been a year of cautious optimism. Ongoing obstacles to trading in some areas persisted throughout the first quarter, but it would be remiss of me not to pay tribute to the effort and enthusiasm of our teams at all levels of the business for the growth and success we saw for the remainder of the year. Everyone from the hotel reception desk, and the planning team for our pipeline, to the experienced and dynamic Executive Leadership Team has played a part in a welcome success story for 2022.

Taking these successes into account, the Committee's duty is to the shareholders to determine that their investment is protected by remuneration practices in line with the long-term success of the business.

Executive remuneration should be aligned to Company purpose and values, and be clearly linked to the successful delivery of the Company's long-term strategy.

As a Guernsey-incorporated company, the Company is not subject to the remuneration reporting regulations that apply to UK-incorporated companies. Nevertheless, the Committee recognises the importance of effective corporate governance and we will therefore continue to operate in line with the UK remuneration reporting regulations as far as reasonably possible, and where this does not contradict our own regulatory framework. Accordingly, shareholders voted in favour of the Remuneration Policy at the 2022 Annual General Meeting and it is now in place for three years.

The Committee reviewed the comparators against which remuneration should be benchmarked: market practice; workforce pay and benefits; shareholding requirement; leaver provisions; and vesting period. Having conducted a Board evaluation, its recommendation that executive incentives be evaluated in consideration of retention priorities was a relevant consideration. Additionally, we looked at the stakeholder feedback, as well as reports of proxy advisers and correspondence from institutional investors. We applied the Corporate Governance Code in our reasoning. I am very pleased to present this report for 2022.

Remuneration Committee membership and meeting attendance

Throughout the year 2022, the Committee was composed of three independent Non-Executive Directors. They were joined by a fourth independent Non-Executive Director who was appointed in December 2022. No member of the Remuneration Committee is considered to have a personal financial interest in matters to be decided by the Committee. As the Chair, I satisfy the independence and service requirements of the Corporate Governance Code.

The Deputy Chairman, Chief Executive Officer, Deputy Chief Executive Officer & 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.

Role of the Remuneration Committee
The key responsibilities of the Committee include:

- putting in place and periodically reviewing the 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;
- ensuring that the Policy is clear, transparent, predictable, simple and therefore suitable for publication for the purpose of shareholder inspection and informing the advisory vote at the Annual General Meeting;
- within the terms of the Policy, determining the individual remuneration of each Executive Director and C-suite, ensuring implementation of the Policy does not create simple formulaic results;
- reviewing remuneration levels, including pension arrangements, bonuses and other benefits across the Group to ensure alignment between executive remuneration and the workforce as a whole and between remuneration and creation of shareholder value;
- reviewing the alignment of incentives and rewards with culture, taking these into account when setting the Policy for Executive Director remuneration;
- consulting with the CEO in setting the levels of remuneration for the C-suite;
- approving the design of, and determining targets for and conditions attached to, any long-term incentive schemes operated by the Group, including pension arrangements, bonuses and other benefits; and
- the engagement and determining the independence of any external remuneration advice that might be considered necessary from time to time.

The Committee's terms of reference are annually reviewed to ensure compliance with the Code and ongoing strategic alignment with the Company, with the latest updated terms of reference approved in 2022 and available on our website.

REMUNERATION IN 2022

Base Salary
The CEO's base salary remains the same throughout 2022, in line with the reported base salary as of 1 January 2022 as set out in the 2021 Remuneration Report, which is in the lower quartile against the TSR Benchmark group, particularly considering the size and complexity of the business carried out by the Group. Daniel Kos's base salary remained at the level as set in July 2021 until November 2022. In November 2022, along with an increase of salaries across the wider workforce, a 5% increase was implemented for CFO where the wider workforce in the UK and Netherlands regions received on average at least a 10% increase (based on multiple factors).

Pension
The CEO's pension contribution is set at a 10% cap level (this, following a reduction from his contractual pension entitlement of £100,000 in 2021). The CEO's pension shall reduce further as of 1 January 2023 to 5% of his base salary in line with the wider workforce The CFO's pension allowance for 2022 is in line with the wider workforce in the Netherlands.

Annual bonus plan outcome 2022
The Company operated an annual bonus plan for its C-suite and Executive Leadership Team.

The Annual Bonus for 2022 had two elements:

(1) A COVID recovery bonus based on the business's return to operations using financial metrics (100% achieved).

(2) A Performance Bonus based on financial criteria and personal objectives, with success assessed 70% on financial metrics, 30% on non-financial metrics.
Financial metrics include Revenue and Gross Operating Profit targets and non-financial metrics including guest satisfaction, employee engagement and an ESG target. Of the non-financial metrics, although good progress had been made during the year, 25% of those targets have been achieved in full and attributed to the overall annual bonus.
In aggregate, 77.5% of the performance bonus had been met.

Following an assessment of the targets achieved, the Chief Financial Officer has been awarded £531,000 as an overall 2022 annual bonus, of which 45% is awarded in cash and 55% in 23,000 Nil Price Options[2], which are subject to a holding period of one year from the date of grant.
As a significant shareholder in the company, the CEO waived his right to participate in the 2022 annual bonus.

REMUNERATION COMMITTEE'S 2022 ACTIVITIES AND FOCUS

FUNCTION	ACTIONS IN 2022
Remuneration Policy	Reviewed Remuneration Policy against following criteria: – Link to strategy and success against business performance metrics – Furtherance of long-term sustainability of value creation for shareholders – Link to ESG performance metrics
Executive Director and senior management remuneration review	– Reviewed Executive Director basic pay – Reviewed Executive Director pensions; benefits; incentives and shareholding for alignment to workforce, culture and objectives – Reviewed C-suite remuneration
Set targets and incentive schemes	– Reviewed and considered incentive scheme
Workforce remuneration and benefits policies	– Reviewed gender pay gap and pay

2 Value calculated at 31st December 2022.

REMUNERATION COMMITTEE REPORT *continued*

2022 LTIP grant

The Committee has resolved to grant an LTIP award in June 2022, subject to the rules of the Long-Term Incentive Plan, and within the framework set by the Policy. The award is subject to performance metrics based on Total Shareholder Return (TSR) and adjusted EPRA earnings per share, and has a three-year vesting period and two-year holding requirement. As a significant shareholder in the Company, the CEO waived his entitlement to participate in the 2022 LTIP. The CFO has been awarded a conditional LTIP award of 22,000 NIL Price Options.

TSR benchmark group

Our unique business model in owning and operating our hotels makes us both a real-estate and a hospitality business. For this reason, the Committee developed a specific benchmark for remuneration purposes. The Committee has used a blend of listed companies in the hospitality management and hotel real-estate sectors and as a peer comparator as well as hotel businesses in order to ensure our asset-holding real-estate business model and our hotel operations business model were properly reflected in our comparator group.

Name	Ticker	Market	Sector
PPHE Hotel Group	PPH-GB	UK	Leisure & Hospitality
Dalata	DAL-GB	UK	Leisure & Hospitality
InterContinental Hotels Group	IHG-GB	UK	Leisure & Hospitality
Whitbread	WTB-GB	UK	Leisure & Hospitality
Accor	AC-FR	France	Leisure & Hospitality
NH Hotel Group	NHH-ES	Spain	Leisure & Hospitality
Melia Hotels International	MEL-ES	Spain	Leisure & Hospitality
Pandox	PNDX.B-SE	Sweden	Leisure & Hospitality
Scandic Hotels Group	SHOT-SE	Sweden	Leisure & Hospitality
Aroundtown	AT1-DE	Germany	Leisure & Hospitality
Marriot	MAR-US	USA	Leisure & Hospitality
Hilton	HLT-US	USA	Leisure & Hospitality
Wyndham Hotels	WH-US	USA	Leisure & Hospitality
Choice Hotels International	CHH-US	USA	Leisure & Hospitality
Hyatt Hotels	H-US	USA	Leisure & Hospitality
Ashford Hospitality Trust	AHT-US	USA	REIT
Host Hotels & Resorts	HST-US	USA	REIT
Park Hotels & Resorts	PK-US	USA	REIT
Apple Hospitality REIT	APLE-US	USA	REIT
Pebblebrook Hotel Trust	PEB-US	USA	REIT
RLJ Lodging Trust	RLJ-US	USA	REIT
Sunstone Hotel Investors	SHO-US	USA	REIT
Diamondrock Hospitality	DRH-US	USA	REIT
Summit Hotel Properties	INN-US	USA	REIT
Chatham Lodging Trust	CLDT-US	USA	REIT
Braemar Hotels & resorts	BHR-US	USA	REIT
Hersha Hospitality Trust	HT-US	USA	REIT

The Committee believes that basing awards on TSR and adjusted EPRA earnings incentivises good year-on-year operational performance without sacrificing the value of the asset portfolio, thus ensuring that incentives are structured in short-term profitability and long-term sustainable success.

Performance targets for 2022 LTIP awards

	TSR (50% of award)	**Adjusted EPRA earnings 50% of award)**
Definition	TSR performance as benchmarked against comparator group	EPRA achieved in year ending 31 December 2025
Threshold vesting (25% of maximum)	TSR at median quartile	1.06
Maximum vesting (100% of maximum)	TSR at the top quartile	1.16

Remuneration	**Year**	**Base salary/ and fees[2]**	**Salary sacrifice options**	**Additional remuneration**	**Bonus**	**Pension contributions**	**LTIP**	**Other benefits**	**Total**
Executive Directors									
Boris Ivesha President & CEO[1]	2021	438,132	–	–	–	100,000	–	16,352	**554,484**
	2022	500,000[3]	–	–	–	50,000	–	13,311	**563,311**
Daniel Kos CFO[1]	2021	314,529	46,670			14,574	–	–	**375,773**
	2022	448,091			531,050[5]	14,295	–		**993,436**
Non-Executive Directors									
Eli Papouchado Non-Executive Chairman	2021	200,000	–	–	–	–	–	–	**200,000**
	2022	200,000	–	–	–	–	–	–	**200,000**
Kevin McAuliffe Non-Executive Deputy Chairman	2021	100,000	–	–	–	–	–	–	**100,000**
	2022	100,000	–	–	–	–	–	–	**100,000**
Kenneth Bradley Non-Executive Director	2021	55,700	–	–	–	–	–	–	**55,700**
	2022	59,900	–	–	–	–	–	–	**59,900**
Nigel Keen Senior Independent Director	2021	58,220	–	–	–	–	–	–	**58,220**
	2022	61,300	–	–	–	–	–	–	**61,300**
Stephanie Coxon Non-Executive Director	2021	55,700	–	–	–	–	–	–	**55,700**
	2022	59,900	–	–	–	–	–	–	**59,900**
Marcia Bakker Non-Executive Director[4]	2021		–	–	–	–	–	–	**–**
	2022	2,568	–	–	–	–	–	–	**2,568**
	2021	**1,222,281**	**46,670**	–		**114,574**	**–**	**16,352**	**1,399,877**
	2022	**1,431,759[6]**	–	–	**531,050**	**64,295**	**–**	**13,311**	**2,040,414**

Notes to Outcomes table

Notes to Outcomes table

1 Boris Ivesha and Daniel Kos' remuneration is denominated in € and converted to £ at average exchange rate for presentation purposes.

2 Base salary/fees represent all amounts received by the director from the Company for the financial year.

3 The committee had carried out a benchmarking exercise of the CEO's base salary. The committee considers the CEO's base salary to be considerably lower than comparable peers, however, the committee accepts that any increase in the base salary should be moderate and staggered. Furthermore, the CEO has a contractual entitlement for an increase of his salary in line with UK CPI. As a result, the CEO's base salary shall increase as of 1 January 2023 from £500,000 to £550,000.

4 Marcia Bakker was appointed to the Board on 6th December 2022, and remuneration is pro-rated accordingly.

5 The annual bonus of the CFO includes as to 55% in 23,000 Share Awards having a holding period of one year and the rest in cash.

6 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 2022, the total fee for Boris' services amounted to HRK150,564 (£17,695) (2021: HRK147,368 (£16,807)), the total fee for Kevin McAuliffe's services amounted to HRK150,564 (£17,695) (2021: HRK147,368 (£16,807)) and the total fee for Yoav Papouchado's services amounted to 150,564 (£17,695) (2021: HRK147,368 (£16,807)). It should be noted that Yoav Papouchado is not remunerated for his position as an Alternate Director of the Company.

REMUNERATION COMMITTEE REPORT *continued*

REMUNERATION POLICY 2022-2024

Introduction

The Remuneration Policy (the 'Policy') came into effect on 1 January 2022. The Committee is tasked with keeping the Policy under review, and ensuring that it is suitable to be presented to shareholders for their advisory vote, which took place at the Annual General Meeting in April 2022. The Policy was designed with the interests of employees, shareholders and other stakeholders in mind, and was proposed mindful of the impact of the Company's operations on the community and the environment. The Committee and the Board considered the Company's reputation and relationships with the places in which the Company operates before proposing the Policy.

Purpose of the Policy

- Promote the long-term sustainable success of the Company and support its strategy.
- Ensure that the Company's remuneration structures are aligned to the Company's purpose, strategy and entrepreneurial culture.
- Provide an appropriate balance to utilise remuneration to attract, retain and motivate the Company's leadership to drive the strategic vision of the Group successfully.

POLICY TABLE

(1) Base salary	**1. Purpose and link to strategy**	
	To provide a market competitive salary that will retain, attract and incentivise executives with the right expertise who are instrumental in driving and growing the business and delivering the Company's strategic goals.	
	2. Operation	**3. Maximum potential value**
	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 budget.	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.
(2) Benefits	**1. Purpose and link to strategy**	
	To provide market competitive benefits consistent with role.	
	2. Operation	**3. Maximum potential value**
	Benefits vary between regions and would typically include annual leave, wellbeing day, occupational sick pay, health screening, personal accident insurance, and participation in all employee share schemes. In the UK, these would include in addition medical insurance and life assurance, and in the Netherlands, car allowances. In line with business requirements, other expenses may be paid, such as relocation expenses, together with related tax liabilities	We do not consider it appropriate to set a maximum benefits value as this may change periodically and by region.
(3) Pension	**1. Purpose and link to strategy**	
	To attract and retain talent by enabling long-term pension saving.	
	2. Operation	**3. Maximum potential value**
	A pension allowance of up to 10% of base salary may be paid for Executive Directors based on length of service and subject to local rules under place of employment. This may be taken as a contribution to the Group Personal Pension Plan, as a cash supplement, or a combination of the two. 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	Executives can choose to participate in a defined contribution arrangement, or may receive a cash equivalent. A salary supplement may also be paid as part of a pension allowance arrangement

(4) Annual bonus plan

1. Purpose and link to strategy

To incentivise and reward the delivery of near-term business targets and objectives

2. Operation

The annual bonus scheme is a discretionary scheme and is reviewed prior to the start of each financial year to ensure that it appropriately supports the business strategy. Performance measures and stretching targets are set by the Committee. Bonuses are normally paid in cash but may also be awarded in deferred share awards. Actual bonus amounts are determined by assessing performance against the agreed targets typically after year end. The results are then reviewed by the Committee to ensure that any bonus paid accurately reflects the underlying performance of the business. Where share awards are granted as part of the annual bonus plan, they are held by the individual for one year subject to clawback provisions. Circumstances include: a material misstatement, serious misconduct, a material failure of risk management, re-statement of prior year results, corporate failure, or serious reputational damage to any Group company.

4. Performance metrics

Performance measures are selected to focus executives on strategic priorities, providing alignment with shareholder interests and are reviewed annually. Weightings and targets are reviewed and set at the start of each financial year.

Financial metrics will comprise at least 50% of the bonus and are likely to include one or more of:

- a profit-based measure; and/or
- a cash-based measure.

Non-financial metrics, key to business performance, will be used for any balance. These may include measures relating to build quality and customer service. Overall, quantifiable metrics will comprise at least 70% of the bonus.

The Committee may at its discretion adjust the outcome under the formulaic measures where it considers it is appropriate to do so to better reflect overall Company performance.

3. Maximum potential value

150% of base salary.

(5) Long-term share incentive plan

1. Purpose and link to strategy

The LTIP scheme adopted in 2022 allows for a framework 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.

3. Maximum potential value

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 150% of the employee's annual base salary at the award date

2. Operation

The long-term incentive plan allows for the award of the following options which are subject to the rules of the LTIP:

- 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;
- 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 adjusted 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 scheme 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 Remuneration Committee's discretion.

4. Performance metrics

The performance measures applied to LTIP awards are reviewed annually to ensure they remain relevant to strategic priorities and aligned to shareholder interests. Weightings and targets are reviewed and set prior to each award. Performance measures will include long-term performance targets, of which financial and/or share price-based metrics will comprise at least two-thirds of the award. Quantifiable non-financial metrics, key to business performance, will be used for any balance.

Any material changes to the performance measures from year to year would be subject to prior consultation with the Company's controlling shareholders.The Committee may adjust the number of shares realised if it considers such adjustment is justified based on:
(a) the performance of the Company, any business area or team;
(b) the conduct, capability or performance of the participant; or
(c) the occurrence of unforeseen events or of events outside the participant's control.

Notes to the Policy table

The Committee may make minor amendments to the Policy set out above (for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation). As the Company is registered in Guernsey, shareholders' approval is not required in connection with the Policy.

The Executive Directors may request, and the Company may grant, salary and bonus sacrifice arrangements.

The LTIP rules permit the substitution or variance of performance conditions to produce a fairer measure of performance as a result of an unforeseen event or transaction. They include discretions for upwards adjustment to the number of shares to be realised in the event of a takeover, and scheme of arrangement or voluntary winding up.

Non-significant changes to the performance metrics may be made by use of discretion under the performance conditions. Awards are normally satisfied in shares, although there is flexibility to settle in cash.

The Committee reserves the right to make remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the Policy table set out above where the terms of the payment were set out and approved prior to the date the Policy came into effect. For these purposes, 'payments' include the Committee determining and paying short-term and long-term incentive awards of variable remuneration.

REMUNERATION COMMITTEE REPORT *continued*

Non-Executive Directors' fee

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. No Director may participate in the decision-making relating to their own remuneration.

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 and the Senior Independent Director who attracts an additional fee for the role.

Appointment term and other matters

The independent Non-Executive Directors are appointed for a period ending at the Annual General Meeting in 2024 (subject to annual re-election), unless terminated sooner (as in the case of the Non-Executive Deputy chairman, who has announced his retirement effective from the date of the Annual General Meeting to be held in 2023). 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.

Maximum potential value

Prescribed by the Articles of Association of the Company.

Term and termination

Boris Ivesha has a contract which may be terminated on 12 months' notice by the Groupor on six months' notice by Boris Ivesha.

Daniel Kos has a 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 terminable on three months' prior notice by either side or immediately upon the Board passing a resolution to remove the Chairman as a Director.

The Non-Executive Directors' terms of appointment currently end at the Annual General Meeting held in 2024 (although the non-executive deputy chairman has given notice of termination at the Annual General Meeting to be held in 2023).

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. The letters of appointment are available for inspection at the Company's registered office.

The dates of the Directors' contracts are as follows:

Director	Date of appointment	Term of appointment	Subject to annual re-election	Notice period
Eli Papouchado	26-Jun-07	Indefinite	Yes	3 months
Boris Ivesha	14-Jun-07	Indefinite	Yes	12 months from Group; 6 months from Boris Ivesha to the Group
Daniel Kos	27-Feb-18	Indefinite	Yes	6 months from Group; 3 months from Daniel Kos to the Group
Kevin McAuliffe	15-Jun-07	Ends at Annual General Meeting 2023	N/A	Notice of retirement issued December 2022
Ken Bradley	04-Sep-19	Annual General Meeting 2024	Yes	3 months
Nigel Keen	20-Feb-20	Annual General Meeting 2024	Yes	3 months
Stephanie Coxon	07-Aug-20	Annual General Meeting 2024	Yes	3 months
Marcia Bakker	06-Dec-22	Annual General Meeting 2024	Yes	3 months

The Executive Directors' service contracts do not contain specific provision for compensation in the event of removal at an Annual General Meeting.

In the event of early termination, some Directors may be eligible for payments in lieu of notice. When determining exit payments, the Committee would take account of a variety of factors, including individual and business performance, the obligation for the Director to mitigate loss (for example, by gaining new employment), the Director's length of service and any other relevant circumstances, such as ill health. A departing Director may also be entitled to a payment in respect of statutory rights. The Committee would distinguish between types of leaver in respect of incentive plans. 'Good leavers' (death, ill health, agreed retirement, redundancy or any other reason at the discretion of the Committee) may be considered for a bonus payment having completed the full year, and part-year bonus payments may be paid and LTIP awards may vest at the usual time taking into account performance conditions and pro-rating for time in employment during the performance period, unless the Committee determines otherwise. The LTIP rules include discretion, in exceptional circumstances, for acceleration of the realisation date and upwards adjustment to the number of shares to be realised for 'good leavers' in such a situation. In all other leaver circumstances, the Committee would decide the approach taken, which would ordinarily mean that leavers would not be entitled to consideration for a bonus and LTIP awards would lapse. Any vested LTIP award that is subject to a holding period at the time of the executive's cessation of employment will not lapse except in the case of the executive's gross misconduct. The Committee reserves the right to make any other payments in connection with a director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. In addition, the Committee reserves the right, acting in good faith, to pay fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his or her cessation of office or employment.

The appointment of each of the Non-Executive Directors is for an initial period of three years, or for the period between the date of appointment and the Annual General Meeting in 2024, whichever is the shorter. The appointment of each Non-Executive Director is renewable for further terms, and is terminable by the Non-Executive Director (as applicable) or the Company on three months' notice. No contractual payments would be due on termination. There are no specific provisions for compensation on early termination for the Non-Executive Directors, with the exception of entitlement to compensation equivalent to three months' fees (as applicable) or, if less, the balance of appointment, in the event of removal at an Annual General Meeting.

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 on pages 122 and 123.

The Committee retains discretion to make appropriate remuneration decisions outside the standard Remuneration Policy to meet the individual circumstances when an interim appointment is made to a fill an Executive Director role on a short-term basis. For Non-Executive Directors, the Board would consider the appropriate fees for a new appointment taking into account the existing level of fees paid to the Non-Executive Directors, the experience and ability of the new Non-Executive Director and the time commitment and responsibility of the role.

2023 and beyond

In 2023, we will be seeking shareholder approval under an advisory vote of the Remuneration Report which summarises the remuneration outcomes for 2022. As we have seen the business return to profitability this year, we believe that the Remuneration Policy applicable for 2022–2024 continues to ensure that the Company is able to attract, retain and incentivise management with 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. The Policy will be again subject to shareholder approval in 2025.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2022.

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 and incorporated by reference into this Directors' report:

Topic	Section of the Report	Pages
Principal activities	Strategic report	44
Fair view of the Company's business	Strategic report	44 to 45
Principal risks and uncertainties	Strategic progress in 2022, Our approach to risk management and principal risks and uncertainties	74
Strategy	Strategic report	22
Business model	Business model	20
Important events impacting the business	Strategic report	34
Likely future developments	Our pipeline	30
Financial key performance indicators	Highlights	32
Non-financial key performance indicators	Stakeholder Engagement, Responsible Business	56 to 69, 89 to 89
Environmental matters	Responsible Business, Task Force on Climate-Related Financial Disclosures (TCFD)	70
Company's employees	Responsible Business (Our People)	58
Social, community and human rights issues	Responsible Business	58
S172 and relationship with suppliers, customers and others	Introduction to Governance	90
Greenhouse Gas Emissions	Task Force on Climate-Related Financial Disclosures (TCFD	73
Directors' induction and training	Nomination Committee Report	108

The following matters have been included in the Corporate Governance report but are incorporated by reference into this Directors' report:

Diversity report of Board membership (ethnicity and gender)	Nomination Committee Report	110

Appointment and replacement of Directors
Pursuant to the Articles of Incorporation, the Board has the power to appoint any person to be a Director. At every general meeting, a minimum of one 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 Financial Reporting Council Corporate Governance Code ('the Code') and good corporate governance practice, the all Directors 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
One class of share in issue (being ordinary shares) which all carry the same rights.
No shares in the Company 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 amounts on shares. No shareholder is entitled to vote unless shares held are fully paid up

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 will 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. The authority in respect of purchase of the Company's ordinary shares, as granted at the 2022 Annual General Meeting, was limited to 4,254,077 ordinary shares being approximately 10% of the issued share capital (excluding treasury shares) of the Company as at the latest practicable date prior to the publication of the 2022 Annual General Meeting notice. Such authority was used during the year under review in connection with the share buy-back programme,and in the financial year 2022 a total of 110,999 shares were repurchased. Between 31 December 2022 and the last practicable date prior to publication of this report (24 February 2023), a total of 117,601 ordinary shares had been repurchased. As of Close of Business on 24 February 2023, the total number of ordinary shared purchased in 2022 and 2023 was 228,600.

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 shows shareholders holding 5% or more of the issued share capital (excluding treasury shares) as at 24 February 2023. 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 24 February 2023.

Shareholders with holdings of 5% or more of the Company's issued share capital (excluding treasury) as at 24th February 2023.

Concert Party member	Number of Ordinary Shares	Percentage of the issued Ordinary Share capital (excluding treasury shares)
Red Sea Parties:		
Euro Plaza	12,207,843	28.85%
Red Sea Club Limited	22,417	0.05%
AA Papo Trust Company Limited[1]	1,530,000	3.62%
Ivesha Parties:		
Walford	4,636,974	10.96%
Total	18,397,234	43.47%

Shareholder	Number of Ordinary Shares	Percentage of the issued Ordinary Share capital (excluding treasury shares)
Aroundtown Property Holdings	4,246,974	10.04%
Clal Insurance Enterprises Holdings	2,267,859	5.36%
Harel Insurance Investments and Financial Services	2,143,040	5.06%

1 A.A. Papo Trust Company Limited is the trustee of a second endowment created by Eli Papouchado under Israeli law in 2008. Eli Papouchado was the owner of these 1,530,000 Ordinary Shares and granted those shares to the second endowment in 2015. The primary beneficiary of the second endowment is Eli's daughter, Eliana, and the secondary beneficiaries are Eli Papouchado and his divorcee, Sigal Gross.

DIRECTORS' REPORT *continued*

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

(ii) 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 as set out above. Mr Eli Papouchado is cleared to be the representative of Euro Plaza and Mr Boris Ivesha is cleared to be the representative of Walford for these purposes as set out above.

DTR disclosures

Eli Papouchado is deemed to be interested in 13,760,260 ordinary shares, which constitutes 32.51% 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 4636,974 ordinary shares, which constitutes 11.0% 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 UK 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 190. There have been no changes in the interests of each Director in the period between the end of the financial year and 24 February 2023.

Listing Rule 9.8.4R

The following information 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 disclosed can be located in the Annual Report at the references set out below:

Section	Information	Location
4	Details of long-term incentive schemes	Consolidated financial statements note: 12.
10	Contracts of significance	Consolidated financial statements note: 29(c).
11	Provision of services by a controlling shareholder	Consolidated financial statements note: 6.
14	Controlling shareholder statement	Directors' report

DTR 7.2.8

Pursuant to DTR 7.2.8, the annual review of the Board Diversity Policy is found in the report of the Nomination Committee at page 109.

UK Streamlined Energy and Carbon Reporting

In line with market practice for UK listed businesses, our Streamlined Energy and Carbon Reporting, UK Scope 1, Scope 2 and Scope 3 emissions, intensity ratio and yearly comparisons are provided in the TCFD report at page 73, including information as to quantification and reporting methodology.

Energy efficiency action

For energy efficiency actions, please see the Responsible Business section (including the TCFD report) on pages 56 to 73.

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 and viability statement
The Board has an obligation under the Code to state whether it believes that the Company and the Group will be able to continue in operation and meet their liabilities as they fall due over a specified period determined by the Board, taking account of the current position and the principal risks of the Company and the Group. The Board believes it is taking all appropriate steps to support the sustainability and growth of the Group's activities The Viability Statement on page 85 and the report of the Audit Committee contain the necessary information to determine viability over a three year time-horizon.

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 macro-economic market disruptions and inflation, 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 2022 consolidated financial statements on a going concern basis.

Financial risk management objectives and policies
In addition, Note 30 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' declaration – audit information and independent auditor
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' 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.

Each of the directors named on pages 92 and 93 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;

(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; and

(iii) 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
1 March 2023

Daniel Kos
Chief Financial Officer & Executive Director
1 March 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PPHE HOTEL GROUP LIMITED

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 2022, 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 2022 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 Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), including the UK FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 2022. 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 2022

Decentralised operations

As discussed in Notes 1b and 28 to the consolidated financial statements, the Group comprises more than 100 legal entities, grouped in four reportable segments. The geographical decentralised structure, multiplicity of IT systems and number of Group entities (components) increase the complexity of the Group's control environment and thus affects 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 its systems and procedures for improvements and harmonisation across the Company.

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 site visits, meetings and 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, at both Group and component level to obtain an understanding of significant entries made.

Other information included in the Group's 2022 Annual Report

Other information consists of the information included in the 2022 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PPHE HOTEL GROUP LIMITED CONTINUED

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 of the Financial Conduct Authority, 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 29 of the UK Corporate Governance Code and the Management Board's statement pursuant to Section 9.8.6 R (3) of the Listing Rules in the United Kingdom in the financial year 2022 included in the 'Viability statement' on page 85 and in the section 'Going concern' on page 129. We have no exceptions to report.

The partner in charge of the audit resulting in this independent auditors' report is Osnat Aba.

Osnat Aba

OSNAT ABA
(For and on behalf of Kost Forer Gabbay & Kasierer, member of Ernst & Young Global)
Tel Aviv, Israel
01 MARCH 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Assets			
Non-current assets:			
Intangible assets	4	**12,805**	14,290
Property, plant and equipment	5	**1,335,184**	1,236,000
Right-of-use assets	18	**225,443**	215,921
Investment in joint ventures	6	**4,961**	4,315
Other non-current assets	7	**47,245**	16,386
Restricted deposits and cash	13(b)	**9,272**	8,121
Deferred income tax asset	26	**12,909**	10,221
		1,647,819	1,505,254
Current assets:			
Restricted deposits and cash	13(b)	**9,229**	5,204
Inventories		**3,181**	1,840
Trade receivables	8	**18,533**	6,811
Other receivables and prepayments	9	**17,866**	19,457
Cash and cash equivalents	10	**163,589**	136,802
		212,398	170,114
Total assets		**1,860,217**	1,675,368

	Note	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Equity and liabilities			
Equity:	11		
Issued capital		**–**	–
Share premium		**133,177**	131,229
Treasury shares		**(5,472)**	(3,482)
Foreign currency translation reserve		**20,039**	3,806
Hedging reserve		**10,950**	(434)
Accumulated earnings		**156,364**	147,350
Attributable to equity holders of the parent		**315,058**	278,469
Non-controlling interests		**188,187**	168,742
Total equity		**503,245**	447,211
Non-current liabilities:			
Borrowings	14	**817,631**	729,284
Provision for concession fee on land	15	**5,331**	5,057
Financial liability in respect of Income Units sold to private investors	16	**121,084**	124,551
Other financial liabilities	17	**265,494**	253,362
Deferred income taxes	26	**5,922**	7,236
		1,215,462	1,119,490
Current liabilities:			
Trade payables		**13,565**	16,650
Other payables and accruals	19	**80,844**	53,177
Borrowings	14	**47,101**	38,840
		141,510	108,667
Total liabilities		**1,356,972**	1,228,157
Total equity and liabilities		**1,860,217**	1,675,368

The accompanying notes are an integral part of the consolidated financial statements. Date of approval of the financial statements 1 March 2023. 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
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
		Year ended 31 December	
Revenues	20	**330,091**	141,377
Operating expenses	21	**(233,087)**	(113,808)
EBITDAR		**97,004**	27,569
Rental expenses	18	**(2,421)**	(2,504)
EBITDA		**94,583**	25,065
Depreciation and amortisation	4, 5, 18	**(40,006)**	(43,283)
EBIT		**54,577**	(18,218)
Financial expenses	22	**(37,257)**	(31,369)
Financial income	23	**1,516**	333
Other expenses	24a	**(6,791)**	(9,418)
Other income	24b	**9,992**	3,784
Net expenses for financial liability in respect of Income Units sold to private investors	25	**(10,783)**	(1,949)
Share in results of joint ventures	6	**202**	(718)
Profit (loss) before tax		**11,456**	(57,555)
Income tax benefit	26	**3,356**	5,051
Profit (loss) for the year		**14,812**	(52,504)
Profit (loss) attributable to:			
Equity holders of the parent		**10,159**	(52,129)
Non-controlling interests		**4,653**	(375)
		14,812	(52,504)
Basic and diluted profit (loss) per share (in Pound Sterling)	27	**0.24**	(1.23)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Year ended 31 December	
	2022 £'000	2021 £'000
Profit (loss) for the year	**14,812**	(52,504)
Other comprehensive income (loss) to be recycled through profit and loss in subsequent periods:[1]		
Profit from cash flow hedges	**21,133**	507
Foreign currency translation adjustments of foreign operations	**22,000**	(23,083)
Other comprehensive income (loss)	**43,133**	(22,576)
Total comprehensive loss	**57,945**	(75,080)
Total comprehensive loss attributable to:		
Equity holders of the parent	**37,732**	(68,858)
Non-controlling interests	**20,213**	(6,222)
	57,945	(75,080)

1 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

FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022	**–**	**131,229**	**(3,482)**	**3,806**	**(434)**	**147,350**	**278,469**	**168,742**	**447,211**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**10,159**	**10,159**	**4,653**	**14,812**
Other comprehensive income for the year	**–**	**–**	**–**	**16,191**	**11,382**	**–**	**27,573**	**15,560**	**43,133**
Total comprehensive income	**–**	**–**		**16,191**	**11,382**	**10,159**	**37,732**	**20,213**	**57,945**
Share-based payments	**–**	**2,056**	**–**	**–**	**–**	**–**	**2,056**	**81**	**2,137**
Share buy-back	**–**	**–**	**(2,098)**	**–**	**–**	**–**	**(2,098)**	**–**	**(2,098)**
Dividend distribution[2]	**–**	**–**	**–**	**–**	**–**	**(1,278)**	**(1,278)**	**–**	**(1,278)**
Exercise of options		**(108)**	**108**	**–**	**–**	**–**	**–**	**–**	**–**
Transactions with non-controlling interests (see Note 6)	**–**	**–**	**–**	**42**	**2**	**133**	**177**	**(849)**	**(672)**
Balance as at 31 December 2022	**–**	**133,177**	**(5,472)**	**20,039**	**10,950**	**156,364**	**315,058**	**188,187**	**503,245**
Balance as at 1 January 2021	–	131,389	(3,482)	20,804	(703)	161,587	309,595	95,358	404,953
Loss for the year	–	–	–	–	–	(52,129)	(52,129)	(375)	(52,504)
Other comprehensive income (loss) for the year	–	–	–	(16,998)	269	–	(16,729)	(5,847)	(22,576)
Total comprehensive income (loss)	–	–		(16,998)	269	(52,129)	(68,858)	(6,222)	(75,080)
Share-based payments	–	1,182	–	–	–	–	1,182	86	1,268
Exercise of options settled in cash	–	(1,342)	–	–	–	–	(1,342)	–	(1,342)
Transactions with non-controlling interests (see Note 6)	–	–	–	–	–	37,892	37,892	79,520	117,412
Balance as at 31 December 2021		131,229	(3,482)	3,806	(434)	147,350	278,469	168,742	447,211

1 No par value.

2 The dividend distribution comprises an interim dividend of 3 pence per share paid in 2022 (2021: nil pence per share).

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Cash flows from operating activities:			
Profit (loss) for the year		**14,812**	(52,504)
Adjustment to reconcile loss to cash provided by operating activities:			
Financial expenses and expenses for financial liability in respect of Income Units sold to private investors		**48,040**	33,318
Financial income	23	**(1,516)**	(333)
Income tax benefit	26	**(3,356)**	(5,051)
Loss on buy-back of Income Units sold to private investors	24	**1,499**	543
Re-measurement of lease liability	24	**3,704**	3,565
Revaluation of Park Plaza County Hall London Units	24	**(300)**	(602)
Capital loss (gain) on sale of fixed assets, net	24	**47**	(996)
Impairment of property, plant and equipment	5	**–**	4,424
Share in results of joint ventures	6	**(202)**	718
Share appreciation rights revaluation	24, 6c(i)	**119**	(1,750)
Fair value movement derivatives through profit and loss	24	**(9,692)**	–
Depreciation and amortisation	4, 5, 18	**40,006**	38,859
Share-based payments		**2,137**	1,268
		80,486	73,963
Changes in operating assets and liabilities:			
(Increase) decrease in inventories		**(1,228)**	337
(Increase) decrease in trade and other receivables		**(16,118)**	(19,167)
Increase in trade and other payables		**20,772**	21,679
		3,426	2,849
Cash paid and received during the period for:			
Interest paid		**(43,520)**	(33,729)
Interest received		**1,728**	316
Taxes paid		**(311)**	(469)
Taxes received		**87**	–
		(42,016)	(33,882)
Net cash provided by (used in) operating activities		**56,708**	(9,574)

	Note	Year ended 31 December 2022 £'000	2021 £'000
Cash flows from investing activities:			
Investments in property, plant and equipment	5	**(90,870)**	(58,582)
Disposal of property, plant and equipment		**–**	1,406
Investments in intangible assets	4	**(386)**	(176)
Acquisition of Londra & Cargill in Rome, Italy	3a	**–**	(28,298)
Acquisition of Arena FRANZ ferdinand, Austria	3b	**–**	(12,783)
Loan to joint venture		**(403)**	(400)
Increase in restricted cash		**(4,695)**	(6,332)
Net cash used in investing activities		**(96,354)**	(105,165)
Cash flows from financing activities:			
Proceeds from loans and borrowings		**106,879**	53,666
Buy-back of Income Units previously sold to private investors		**(4,887)**	(1,934)
Dividend payment		**(1,278)**	–
Repayment of loans and borrowings		**(31,087)**	(26,653)
Repayment of leases		**(4,890)**	(6,825)
Net proceeds from transactions with non-controlling interest		**(672)**	124,562
Purchase of treasury shares		**(2,098)**	–
Exercise of options settled in cash		**–**	(1,342)
Net cash provided by financing activities		**61,967**	141,474
Increase in cash and cash equivalents		**22,321**	26,735
Net foreign exchange differences		**4,466**	(4,104)
Cash and cash equivalents at beginning of year		**136,802**	114,171
Cash and cash equivalents at end of year		**163,589**	136,802
Non-cash items:			
Lease additions and lease re-measurement		**14,499**	4,226
Outstanding payable on investments in property, plant and equipment		**5,786**	3,469

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 were authorised for issuance in accordance with a resolution of the Directors on 1 March 2023.

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, Serbia, Italy and Austria and hotels, self-catering apartment complexes and campsites in Croatia.

c. Assessment of going concern and liquidity:

As part of their ongoing responsibilities, the Directors have recently undertaken a thorough review of the Group's cash flow forecast and potential liquidity risks. Detailed budgets and cash flow projections, which take into account the current trading environment and the industry-wide cost pressures, have been prepared for 2023 and 2024, and show that the Group's hotel operations are expected to be cash generative during this period. Furthermore, under those cash flow projections it is expected that the Group will comply with its' loan covenants and no further covenant waivers will be required (for more details see note 14c). Having reviewed those cash flow projections, 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.

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 2022 and 2021 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 2022. 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.

Note 2 Summary of significant accounting policies continued

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 judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, 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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

FOR THE YEAR ENDED 31 DECEMBER 2022

Note 2 Summary of significant accounting policies continued

Deferred tax assets

Deferred tax assets are recognised for unused carried 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 26.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 30 for further disclosures.

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.

Note 2 Summary of significant accounting policies continued

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

FOR THE YEAR ENDED 31 DECEMBER 2022

Note 2 Summary of significant accounting policies continued

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.

The following exchange rates in relation to Pound Sterling were prevailing at reporting dates:

	As at 31 December	
	2022 In Pound Sterling	2021 In Pound Sterling
Euro	**0.885**	0.838
Hungarian Forint	**0.002**	0.002
Croatian Kuna	**0.117**	0.112
US Dollar	**0.830**	0.740

Percentage increase (decrease) in exchange rates at yearend compared to the previous year:

	As at 31 December	
	2022 %	2021 %
Euro	**5.6**	(6.6)
Hungarian Forint	**(3.5)**	(6.7)
Croatian Kuna	**2.5**	(6.3)
US Dollar	**12.2**	1.2

Note 2 Summary of significant accounting policies continued

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

Note 2 Summary of significant accounting policies continued

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 marketplace (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.

Note 2 Summary of significant accounting policies continued

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

Note 2 Summary of significant accounting policies continued

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.

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 52 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.

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.

Note 2 Summary of significant accounting policies continued

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.

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 other comprehensive income 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.

Note 2 Summary of significant accounting policies continued

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

Management fees are 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

Franchise fees are 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

Marketing fees are 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.

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.

Note 2 Summary of significant accounting policies continued

p. Alternative Performance Measures

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 17).

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 re-measures 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 re-measures 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 re-measures 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 12.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

Note 2 Summary of significant accounting policies continued

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.

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.

Note 2 Summary of significant accounting policies continued

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 operating expenses 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 2022. Several other amendments and interpretations apply for the first time in 2022, 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.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that, when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). 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.

This amendment had no impact on the consolidated financial statements of the Group.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations 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 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no business combinations during the period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

Note 2 Summary of significant accounting policies continued

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

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. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Group 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 date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

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. In October 2022, the IASB issued a subsequent amendment. 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 2024 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

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023, with earlier application permitted. Since the amendments to Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments to IAS 12 are applicable for annual periods beginning on or after 1 January 2023.

The amendments are not expected to have a material impact on the Group.

Note 3 Business combination

In 2022 there were no business combinations. Below is a description of the business combinations that took place in 2021.

a. **Acquisition of Londra & Cargill Hotel in Rome, Italy**

On 10 November 2021 PPHE Hotel Group, through its wholly owned subsidiary Londra Cargill Parent S.r.l, acquired 100% of the shares of Società Immobiliare Alessandro De Gasperis S.r.l. which owns and operate the Londra & Cargill Hotel in Rome, Italy (the 'hotel'). The hotel offers 99 rooms and suites, a restaurant, bar, meeting facilities and private parking and will continue to operate while the Group finalises its plans to reposition the property as an upper upscale lifestyle hotel. The hotel is expected to be relaunched in Q1 2024. The purchase price of €33.1 million (£28.3 million) was funded from the Group's excess cash position. Transaction costs of £0.5 million were expensed and are included in other expenses in the consolidated income statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

FOR THE YEAR ENDED 31 DECEMBER 2022

Note 3 Business combination continued

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	33,052
Trade and other receivables	43
Indemnification asset	
Trade and other payables	(3,784)
Bank loan	(483)
Deferred tax liabilities, net	(530)
Net assets	28,298
Cash flow on acquisition:	
Cash acquired with the subsidiary	8
Cash paid	(28,306)
Net cash outflow	(28,298)

From the date of acquisition, Società Immobiliare Alessandro De Gasperis S.r.l. contributed £0.2 million of revenue and a loss of £(0.2) million to loss before tax of the Group for the year ended 31 December 2021. If the combination had taken place at the beginning of 2021, the effect on revenues and profit before tax of the Group in 2021 would have been immaterial.

b. Acquisition of the FRANZ ferdinand Mountain Resort Hotel in Nassfeld, Austria

On 3 December 2021, Arena Hospitality Group d.d., through its subsidiaries Sugarhill Investments B.V. and ARENA FRANZ ferdinand GmbH, acquired the FRANZ ferdinand Mountain Resort Nassfeld, a 4-star hotel in Nassfeld, Austria. The purchase price of €15.3 million (£12.8 million) was partially funded from Arena's excess cash and partially by bank debt of €10.5 million (£8.8 million) with Erste Group Bank AG. Transaction costs of £0.5 million were expensed and are included in other expenses in the consolidated income statement.

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	13,155
Inventories	31
Trade and other payables	(403)
Net assets	12,783
Cash paid	(12,783)

From the date of acquisition, FRANZ ferdinand Mountain Resort Nassfeld contributed £0.3 million of revenue and a loss of £(0.1) million to loss before tax for the year ended 31 December 2021. If the combination had taken place at the beginning of the 2021, the effect on revenues and profit before tax of the Group in 2021 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 2022	**20,063**	**20,510**	**3,643**	**3,291**	**47,507**
Additions	**–**	**–**	**–**	**386**	**386**
Disposals	**–**	**–**	**–**	**(15)**	**(15)**
Adjustment for exchange rate differences	**1,132**	**1,157**	**206**	**197**	**2,692**
Balance as at 31 December 2022	**21,195**	**21,667**	**3,849**	**3,859**	**50,570**
Accumulated amortisation:					
Balance as at 1 January 2022	**14,507**	**14,909**	**1,925**	**1,876**	**33,217**
Disposals	**–**	**–**	**–**	**(15)**	**(15)**
Amortisation	**1,029**	**1,037**	**185**	**340**	**2,591**
Adjustment for exchange rate differences	**857**	**881**	**116**	**118**	**1,972**
Balance as at 31 December 2022	**16,393**	**16,827**	**2,226**	**2,319**	**37,765**
Net book value as at 31 December 2022	**4,802**	**4,840**	**1,623**	**1,540**	**12,805**
Cost:					
Balance as at 1 January 2021	21,475	21,954	3,899	3,347	50,675
Adjustment for exchange rate differences	(1,412)	(1,444)	(256)	(222)	(3,334)
Additions	–	–	–	176	176
Disposals	–	–	–	(10)	(10)
Balance as at 31 December 2021	20,063	20,510	3,643	3,291	47,507
Accumulated amortisation:					
Balance as at 1 January 2021	14,446	14,868	1,866	1,741	32,921
Disposals	–	–	–	(10)	(10)
Amortisation	1,035	1,042	186	268	2,531
Adjustment for exchange rate differences	(974)	(1,001)	(127)	(123)	(2,225)
Balance as at 31 December 2021	14,507	14,909	1,925	1,876	33,217
Net book value as at 31 December 2021	5,556	5,601	1,718	1,415	14,290

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**
FOR THE YEAR ENDED 31 DECEMBER 2022

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 4.5 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 a 20-year period based on management's estimation of their useful life. The remaining amortisation period is 4.5 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 a 20-year period based on management's estimation of their useful life. The remaining amortisation period is 4.5 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 mainly 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

In 2022, there were no indicators of impairment

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Note 5 Property, plant and equipment

	Land £'000	Hotel buildings £'000	Property & assets under construction £'000	Income Units sold to private investors[1] £'000	Furniture, fixtures and equipment £'000	Total £'000
Cost:						
Balance as at 1 January 2022	**348,614**	**717,296**	**45,725**	**137,902**	**268,129**	**1,517,666**
Additions during the year	**–**	**13,337**	**72,856**	**623**	**8,050**	**94,866**
Disposal	**–**	**(94)**	**–**	**–**	**(372)**	**(466)**
Buy-back of Income Units sold to private investors	**427**	**3,082**	**–**	**(3,806)**	**297**	**–**
Reclassification[2]	**(22)**	**24,119**	**33,985**	**–**	**(58,082)**	**–**
Adjustment for exchange rate differences	**13,811**	**22,023**	**1,461**	**–**	**4,861**	**42,156**
Balance as at 31 December 2022	**362,830**	**779,763**	**154,027**	**134,719**	**222,883**	**1,654,222**
Accumulated depreciation and impairment:						
Balance as at 1 January 2022	**15,669**	**106,255**	**–**	**23,237**	**136,505**	**281,666**
Provision for depreciation	**316**	**15,420**	**–**	**1,190**	**13,936**	**30,862**
Disposal	**–**	**(94)**	**–**	**–**	**(325)**	**(419)**
Reclassification		**15**			**(15)**	**–**
Buy-back of Income Units sold to private investors	**–**	**402**	**–**	**(662)**	**260**	**–**
Adjustment for exchange rate differences	**1,114**	**3,291**	**–**	**–**	**2,524**	**6,929**
Balance as at 31 December 2022	**17,099**	**125,289**	**–**	**23,765**	**152,885**	**319,038**
Net book value as at 31 December 2022	**345,731**	**654,474**	**154,027**	**110,954**	**69,998**	**1,335,184**
Cost:						
Balance as at 1 January 2021	353,931	699,516	24,095	138,199	240,865	1,456,606
Additions during the year	–	1,750	25,175	363	32,153	59,441
Disposal	(77)	(1,835)	(23)	–	(375)	(2,310)
Acquisition of subsidiaries (Note 3)	6,169	38,443	–	–	1,595	46,207
Buy-back of Income Units sold to private investors	174	1,253	–	(1,534)	107	–
Reclassification	–	1,998	(1,964)	874	(1,080)	(172)
Adjustment for exchange rate differences	(11,583)	(23,829)	(1,558)	–	(5,136)	(42,106)
Balance as at 31 December 2021	348,614	717,296	45,725	137,902	268,129	1,517,666
Accumulated depreciation and impairment:						
Balance as at 1 January 2021	11,043	96,933	–	22,435	124,837	255,248
Provision for depreciation	317	13,922	–	643	14,778	29,660
Disposal	–	(1,571)	–	–	(329)	(1,900)
Reclassification	–	(12)	–	418	(384)	22
Buy-back of Income Units sold to private investors	–	157	–	(259)	102	–
Impairment	4,424	–	–	–	–	4,424
Adjustment for exchange rate differences	(115)	(3,174)	–	–	(2,499)	(5,788)
Balance as at 31 December 2021	15,669	106,255	–	23,237	136,505	281,666
Net book value as at 31 December 2021	332,945	611,041	45,725	114,665	131,624	1,236,000

1 This includes 483 rooms (2021: 498) 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 16).

2 Mainly includes a reclassification of c.£64.2 million from Furniture, fixtures and equipment to Property & assets under construction on account of additions that relate to the construction of art'otel London Hoxton until December 2021 and a reclassification of c.£30.0 million due to the completion of the construction of Hotel Brioni Pula from Property & assets under construction to Furniture, fixtures and equipment and Hotel buildings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

FOR THE YEAR ENDED 31 DECEMBER 2022

Note 5 Property, plant and equipment continued

a. For information regarding liens, see Note 13.

b. Impairment

In 2022, there were no indicators for impairment.

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 H1 2024 (see Note 29c(i)). The cumulative expenditure for this project as at 31 December 2022 was £125.4 million (2021: £66.7 million). The amount of borrowing costs capitalised related to this project during the year ended 31 December 2022 was £3.5 million (2021: £1.3 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was Sonia +3.67%, which is the effective interest rate of the specific borrowing.

Note 6 Investment in joint ventures and subsidiaries with significant non-controlling interests

a. Investment in joint ventures

	As at 31 December	
	2022 £'000	2021 £'000
Loans to joint ventures[1]	**5,573**	5,222
Share of net assets under equity method	**(612)**	(907)
Investment in joint ventures	**4,961**	4,315

1 The loans to joint ventures amount includes a Euro loan bearing an interest of Euribor +2.5% per annum, for which repayment is due on 13 January 2024.

The share in net profit amounts to £202 thousand (2021: net loss of £718 thousand).

b. Summarised financial information of subsidiary with material non-controlling interests

(i) Long-term partnership for 49% of Park Plaza London Riverbank and art'otel London Hoxton development project

On 23 June 2021, a wholly owned subsidiary of PPHE Hotel Group entered into a sale and purchase agreement with Clal Insurance ('Clal'), one of Israel's leading insurance and long-term savings companies. As part of this agreement, Clal became a minority partner and owner of 49% of the shares of Signature Top Ltd, a wholly owned subsidiary of the Group ('Signature Top') which indirectly holds the real estate and operations of both the 646-room Park Plaza London Riverbank ('Riverbank') and the 343-room art'otel London Hoxton development project ('Hoxton'), which is scheduled to open in 2024. As part of this agreement, the Group has secured a 20-year hotel management agreement in respect of both hotels.

Note 6 Investment in joint ventures and subsidiaries with significant non-controlling interests continued

In addition, Clal was granted 5 million share appreciation rights (SAR) of the Company which has a seven-year maturity with a strike price of £16 per share and a cap of £21 per share. The SAR will vest as follows:

- 500,000 SAR Units shall vest and become exercisable on the first anniversary of the completion of the sale and purchase agreement ('Completion')
- 500,000 SAR Units shall vest and become exercisable on the date being 18 months after Completion
- The remaining four million SAR Units shall vest and become exercisable on the second anniversary of Completion.

Upon exercise, the Company will have a right to determine whether an amount equal to the SAR Value as of the date of the exercise will be satisfied by a payment of cash or by the issuance of the Company's shares.

The SAR instrument, which is included in Level 2 in the fair value hierarchy, was valued on inception by an independent valuer using the Black–Scholes model. The following lists the inputs used for the fair value measurement:

Dividend yield	0%
Expected volatility of the share price	29.13%
Risk-free interest rate	0.931%
Years to expiration	7 years

The total price paid by Clal in connection with the transaction amounts to £113.7 million in cash, subject to working capital adjustments, out of which £7.2 million was allocated to the SAR. In addition, Clal provided further cash injection of £12.1 million to fund their portion of the remaining equity commitments of the art'otel London Hoxton development project.

The arrangements between the Group and Clal contain customary exit provisions which include a right for Clal to require a sale of either or both of the companies which own the hotels following seven years from completion or earlier in a change of control of PPHE and certain events of default. If triggered, such provisions afford the Group a pre-emption right in respect of such companies. The Group has also given certain guarantees to Clal regarding completion of the art'otel London Hoxton development project.

The Group has assessed this transaction and concluded that the sale of the ownership interest in Signature Top does not trigger a change of control and should be accounted for as an equity transaction in accordance with IFRS 10 Consolidated Financial Statements. The excess of consideration received over the carrying amount of the non-controlling interests (net of £1.2 million of transaction costs) in the amount of £37.9 million is recognised in equity of the parent. The Group has elected to recognise this amount in accumulated earnings. Furthermore, upon initial recognition the SAR liability in the amount of £7.2 million was classified as a Financial liability measured at fair value through profit or loss in line with IAS 32 Financial Instruments: Presentation and IFRS 9 Financial Instruments.

As at 31 December 2022, the SAR instrument was valued internally at an amount of £5.5 million (2021: £5.6 million) using the Black–Scholes model and is included in current liabilities under Other payables and accruals in the Group's consolidated balance sheet. The following lists the inputs used for the fair value measurement:

Dividend yield	0%
Expected volatility of the share price	29.4%
Risk-free interest rate	3.808%
Years to expiration	5.5 years

The amount of income and comprehensive income allocated to the non-controlling interests in 2022 amounts to £1,343 thousand (2021: loss of £2,199 thousand) and £11,431 thousand (2021: comprehensive loss of £2,199 thousand) respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

Note 6 Investment in joint ventures and subsidiaries with significant non-controlling interests continued

Below is selected financial information relating to the long-term partnership with Clal, as of 31 December 2022 and 2021, and for the year ended 31 December 2022 and the six months ended 31 December 2021.

	2022 £'000	2021 £'000
Non-current assets	**382,778**	306,046
Current assets	**13,437**	15,891
Non-current liabilities	**202,940**	152,076
Current liabilities	**10,840**	10,327
Revenue	**37,196**	10,723
EBITDA	**10,968**	2,108
Profit (loss) for the period	**5,030**	(4,488)
Total comprehensive income (loss)	**24,646**	(4,488)

(ii) Arena Hospitality Group d.d.

As at December 2022, the Group owned approximately 53.2% (2021: 52.95%) of Arena Hospitality Group d.d. ('Arena'). During 2022, Arena Hospitality Group d.d. purchased 24,329 of its own shares for a consideration of HRK5.9 million (£0.7 million). The difference between the adjustment of the non-controlling interests and the net consideration paid of approximately £133 thousand was recorded in retained earnings. As a result of those transactions, the Group's share in Arena increased to 53.2%.

The amount of profit and comprehensive profit allocated to the non-controlling interests in 2022 amounts to £2,188 thousand (2021: profit of £1,824 thousand) and £8,136 thousand (2021: loss of £4,023 thousand) respectively.

Below is selected financial information relating to Arena, as of 31 December 2022 and 2021, and for the years ended 31 December 2022 and 2021.

	As at 31 December	
	2022 £'000	2021 £'000
Non-current assets	**373,543**	343,051
Current assets	**69,481**	49,884
Non-current liabilities	**192,894**	166,841
Current liabilities	**38,755**	31,458
Revenue	**93,469**	52,542
EBITDA	**26,616**	18,642
Profit for the period	**4,543**	4,115
Total comprehensive loss	**17,242**	(8,831)

Note 7 Other non-current assets
a. Non-current financial assets

	As at 31 December	
	2022 £'000	2021 £'000
Income Units in Park Plaza County Hall London[1]	**16,100**	15,800
Rent security deposits	**358**	346
Derivative financial instruments (see note 30a)	**30,539**	–
Other non-current assets	**248**	240
	47,245	16,386

1 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 £16.1 million based on an independent valuation prepared by Savills using a cap rate of 6.25%.

Note 8 Trade receivables
a. Composition:

	As at 31 December	
	2022 £'000	2021 £'000
Trade receivables	**19,214**	7,701
Less – allowance for doubtful debts	**(681)**	(890)
	18,533	6,811

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:

	2022 £'000
As at 1 January 2022	**(890)**
Write-off	**320**
Additions	**(85)**
Exchange rate differences	**(26)**
As at 31 December 2022	**(681)**
As at 1 January 2021	(704)
Write-off	45
Additions	(265)
Exchange rate differences	34
As at 31 December 2021	(890)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

Note 8 Trade receivables continued

c. As at 31 December, the ageing analysis of trade receivables is as follows:

2022	**Total £'000**	**Not past due £'000**	**Past due < 30 days £'000**	**31 to 60 days £'000**	**61 to 90 days £'000**	**> 90 days £'000**
Trade receivables	**19,214**	**8,824**	**7,633**	**1,317**	**474**	**966**
Allowance for doubtful debts	**(681)**					**(681)**
	18,533	**8,824**	**7,633**	**1,317**	**474**	**285**

2021	Total £'000	Not past due £'000	Past due < 30 days £'000	31 to 60 days £'000	61 to 90 days £'000	> 90 days £'000
Trade receivables	7,701	4,326	1,691	636	118	930
Allowance for doubtful debts	(890)					(890)
	6,811	4,326	1,691	636	118	40

Note 9 Other receivables and prepayments

	As at 31 December **2022 £'000**	2021 £'000
Prepaid expenses	**7,296**	5,352
VAT	**4,706**	6,686
Related parties[1]	**100**	56
Government grants for fixed costs receivables	**–**	6,285
Investments in marketable securities	**–**	22
Escrow account[2]	**4,666**	–
Others	**1,098**	1,056
	17,866	19,457

1 The amount owed by related parties bears no interest; see Note 29.
2 Funds for the acquisition of 12 Park Plaza Westminster Bridge London units that were transferred to an escrow account. After the reporting period, the acquisition was finalised.

Note 10 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 11 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 2022, the number of ordinary shares issued was 44,347,410 (2021: 44,347,410), 1,909,042 of which were held as treasury shares (2021: 1,808,070).

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

During 2022, the Company issued 56,165 of its ordinary shares from its treasury account for no consideration in order to satisfy an exercise of options. As a result, £108 thousand were transferred from the treasury account to the share premium account.

Note 11 Equity continued

On 28 June 2022, the Company's Board of Directors approved the commencement of a share buy-back programme to buy up to a maximum of 300,000 ordinary shares for an aggregate consideration (excluding expenses) of up to a maximum of £1.7 million. On 18 November 2022, this share buy-back programme was further extended to buy up to a maximum of 500,000 ordinary shares for an aggregate consideration (excluding expenses) of up to a maximum of £3.7 million. As at 31 December 2022, the Company completed a purchase of 157,137 shares under this programme for a total consideration of £2,098 thousand, representing an average price of 1,350 pence per share.

The total number of treasury shares as at 31 December 2022 is 1,909,042 (2021: 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 12 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 2022, there were 220,500 exercisable 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.
- 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.

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.

Note 12 Share-based payments continued

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% of the Company's issued share capital at that time.

c. In June 2022, the Remuneration Committee approved a Long-Term Incentive Plan ("LTIP") conditional grant of 93,000 options with a nil exercise price (Option D under the 2020 Option Plan). The grant is subject to performance conditions determined by the Remuneration Committee in accordance with the 2020 Option plan rules and the company's Remuneration Policy and has a vesting period of 36 months starting 1 January 2022 with a 24 months holding period. Furthermore, the Remuneration Committee approved an annual bonus plan for 2022 which included an award to members of the Executive Leadership Team of 99,000 options with a nil exercise price (Option C under the 2020 Option Plan). This award was subject to certain performance criteria which have been met for 2022. Those options have an immediate vesting and are subject to a holding period of 12 months post grant.

The following lists the inputs to the binomial model used for the fair value measurement of the 93,000 options granted:

Dividend yield	1.0%
Expected volatility of the share prices	45.58%
Risk-free interest rate	1.9327%
Expected life of share options	5 years
Weighted average share price at the grant date	1,455.0 pence
Fair value per option	1,398.0 pence

The following lists the inputs to the binomial model used for the fair value measurement of the 99,000 options:

Dividend yield	1.0%
Expected volatility of the share prices	45.58%
Risk-free interest rate	1.9327%
Expected life of share options	3 years
Weighted average share price at the grant date	1,455.0 pence
Fair value per option	1,440.0 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.

d. The expense arising from equity-settled share-based payment transactions during 2022 was £1,965 thousand (2021: £1,085 thousand). Total exercisable options at 31 December 2022 amounted to 150,223 (2021: 69,867).

Note 12 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 2021 and 2022:

	No. of options A (2007 Option Plan)	No. of options A (2020 Option Plan)	No. of options B (2020 Option Plan)	No. of options C (2020 Option Plan)	No. of options D (2020 Option Plan)	EP
Outstanding as at 1 January 2022	**265,500**	**250,500**	**69,867**	**–**	**–**	**£10.51**
Options forfeited during the year	**–**	**(23,500)**	**–**	**–**	**–**	**£13.00**
Options exercised in the year	**(45,000)**	**–**	**(18,644)**	**–**	**–**	**£1.65**
Options granted during the year	**–**	**–**	**–**	**99,000**	**93,000**	**–**
Outstanding as at 31 December 2022	**220,500**	**227,000**	**51,223**	**99,000**	**93,000**	**£8.32**
Outstanding as at 1 January 2021	412,290	714,000	70,706	–	–	£11.05
Options forfeited during the year	(25,000)	(13,500)	(839)	–	–	£13.55
Options exercised in the year	(121,790)	–	–	–	–	£5.70
Options voluntarily waived[1]	–	(450,000)	–	–	–	13.00
Outstanding as at 31 December 2021	265,500	250,500	69,867	–	–	£10.51

1 In 2021, a few of the Group's employees agreed to voluntarily waive their rights in connection with the grant of 450,000 options in October 2020 given the underlying requirements of the NOW scheme issued in the Netherlands.

2 The options exercised in the year were cashless, as described in note 11.

As at 31 December 2022, the number of exercisable options was 370,723 (2021: 335,367) with an EP of £7.54 (2021: £8.64).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2022 is 7.3 years (2021: 7.2 years).

Note 13 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 £18.5 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, among 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

FOR THE YEAR ENDED 31 DECEMBER 2022

Note 13 Pledges, contingent liabilities and commitments continued

(ii) Construction contract commitment

As at 31 December 2022, the Group had capital commitments amounting to £81 million for the construction of the development of art'otel London Hoxton and £9 million for the refurbishment of Londra & Cargill Hotel in Rome, Italy.

(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.

   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 2022, the Company was in compliance with the aforementioned covenants.

   The Project encountered planning issues and as a result construction has been halted since 2016, there is no certainty that the planning issues will be resolved and 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 and a first mortgage over the Project, and will be entitled to receive the proceeds of such a sale and apply to liquidate Bali Hai for any shortfall.

   During 2018, 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). There were a couple of attempts to reach a compromise during 2018 and 2019 which have not materialised. The Company hasn't heard from UoB since then.

   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 and as such no provision has been included in the accounts.

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.

Note 13 Pledges, contingent liabilities and commitments continued

3. The Company guarantees cost overruns and the practical completion of the art'otel London Hoxton development under the £180 million construction financing facility agreement granted by Bank Hapoalim B.M.

4. In relation to the long-term partnership with Clal relating to the art'otel London Hoxton development project further detailed at Note 6, the Company has provided certain guarantees relating to practical completion, cost overruns and delays.

Note 14 Borrowings

The borrowings of the Group are composed as follows:

As at 31 December 2022	**€ denominated £'000**	**£ denominated £'000**	**$ denominated £'000**	**HRK denominated £'000**	**Total £'000**
Fixed interest rate	**270,203**	**420,635**	**–**	**36,540**	**727,378**
Weighted average interest rate	**2.41%**	**3.61%**	**–**	**1.44%**	
Variable interest rate	**35,284**	**90,990**	**15,896**	**–**	**142,170**
Weighted average interest rate	**6.07%**	**7.28%**	**8.28%**	**–**	
Total	**305,487**	**511,625**	**15,896**	**36,540**	**869,548**
Weighted average interest rate	**2.52%**	**4.26%**	**8.28%**	**1.44%**	**3.60%**

Maturity analysis 2022	**Outstanding amount**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Thereafter**
Total borrowings	**869,548**	**47,901**	**32,651**	**61,685**	**365,509**	**46,199**	**315,603**
Capitalised transaction costs and other adjustments	**(4,816)**	**(800)**	**(800)**	**(800)**	**(800)**	**(800)**	**(816)**

For securities and pledges, see Note 13.

As at 31 December 2021	€ denominated £'000	£ denominated £'000	$ denominated £'000	HRK denominated £'000	Total £'000
Fixed interest rate	245,709	426,481	–	21,530	693,720
Weighted average interest rate	2.29%	3.61%	–	1.94%	
Variable interest rate	19,540	43,935	16,381	–	79,856
Weighted average interest rate	1.87%	3.58%	3.50%	–	
Total	265,249	470,416	16,381	21,530	773,576
Weighted average interest rate	2.26%	3.61%	3.50%	1.94%	3.09%

Maturity analysis 2021	Outstanding amount	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Total borrowings	773,576	39,640	22,893	17,255	57,747	355,328	280,713
Capitalised transaction costs and other adjustments	(5,452)	(800)	(800)	(800)	(800)	(800)	(1,452)
	768,124	38,840	22,093	16,455	56,947	354,528	279,261

For securities and pledges, see Note 13.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

FOR THE YEAR ENDED 31 DECEMBER 2022

Note 14 Borrowings continued

a. **Finance agreements entered in the period:**

Arena Grand Kažela campsite refinance

On 9 November 2022, Arena had entered into a new loan agreement with PRIVREDNA BANKA ZAGREB in Croatia for the purpose of refinancing its existing €10.2 million loan used for the development of Arena Grand Kažela Campsite. The facility is in a total amount of €2.9 million (£2.5 million), maturing in 2028 at a fixed interest rate of 1.5%.

Financing for the refurbishment of art'otel in Budapest

On 3 October 2022, Arena, through its wholly owned subsidiary SW Szállodaüzemeltető Korlátolt, entered into a new loan agreement with Erste & Steiermärkische bank d.d. for the purpose of financing the CAPEX investments in art'otel Budapest. The facility is in a total amount of €2 million (£1.8 million), maturing in 2031 at a fixed interest rate of 3.5%.

Financing for Arena Stoja Campsite

On 10 May 2022, Arena entered into a new loan agreement with Croatian Bank for Reconstruction and Development (HBOR). Arena intends to use this facility to purchase 75 upscale mobile homes for the Arena Stoja Campsite. The facility is in a total amount of €18.5 million (£16.4 million), maturing in 2036 at a fixed interest rate of 2.95%.

Financing for development of art'otel in Zagreb, Croatia

On 30 March 2022, Arena, through its wholly owned subsidiary Ulika d.o.o., entered into a new loan agreement with Erste & Steiermärkische bank d.d. for the purpose of financing the development of its premium lifestyle art'otel in Zagreb, Croatia. The facility is in a total amount of €12.6 million (£10.8 million), maturing in 2034 at a fixed interest rate of 2.2%.

Financing of Londra & Cargill Hotel in Rome, Italy

On 22 February 2022, Londra Cargill Parent S.r.l, a wholly owned subsidiary of the Company, entered into a €25 million (£21 million) facility with UniCredit S.p.A. (the 'Facility'). The Facility consists of two tranches: Tranche A in the amount of €17.25 million is available for immediate drawdown upon signing the Facility agreement and Tranche B in the amount of €7.75 million will be available for drawdown upon completion of the hotel refurbishment and meeting certain conditions. The term of the Facility is four years and it will bear an interest rate of six month Euribor, which was fixed by an interest rate swap at a rate of 0.6065%, plus a margin of 3.2%.

Given that there is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the loan (i.e., notional amount, maturity and payment), the Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. As at 31 December 2022, the interest rate swap had a fair value of £1.2 million and is included in other non-current assets. The change in the fair value of the interest rate swap in the amount of £1.2 million for the year ended 31 December 2022 is recorded as other comprehensive income. The interest rate swap is 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. The fair value measurement is Level 2 of the fair value hierarchy.

Grandis facility

On 25 June 2021, Grandis Netherlands Holding B.V. ('Grandis'), a wholly owned subsidiary of the Company, voluntarily prepaid the loan facility with Aareal Bank AG ('Aareal') which had an outstanding balance of £9.2 million. The break costs of the early prepayment which amounted to £0.6 million were recorded in other expense in the Group's consolidated income statement. On 17 December 2021, Grandis and Aareal signed an agreement to include Grandis under the existing Aareal facility for the Dutch properties. Under this agreement, the additional facility amount of £16.3 million will mature on 16 June 2026 and will bear a fixed interest rate of 3.3% per annum.

Arena Hospitality Group d.d., Croatia capital financing loan

On 20 September 2021, Arena entered into a new long-term working capital financing loan facility agreement with Zagrebačka banka d.d. as part of the HBOR programme for insurance of liquidity portfolio for exporters related with COVID-19 measurements. The facility is in a total amount of €20 million (£16.8 million), maturing on 30 June 2025 at a fixed interest rate of 0.9% per annum.

Note 14 Borrowings continued

FRANZ ferdinand Mountain Resort Hotel in Nassfeld, Austria

On 24 November 2021, ARENA FRANZ ferdinand GmbH, a wholly owned subsidiary of Arena, entered into a €10.5 million (£8.8 million) facility, maturing in 2033, with Erste Group Bank AG for the purpose of acquiring hotel FRANZ ferdinand Mountain Resort in Nassfeld (Austria).

b. The following financial covenants must be complied with by the relevant Group companies:

- Under the two Aareal facilities, for Park Plaza London Riverbank (the 'Riverbank hotel') and all six of the Group's Dutch hotels and Grandis (the 'Dutch hotels and Grandis'), the borrowers must ensure that the aggregate amount of the outstanding facilities does not exceed 62.2% of the value of the Dutch hotels and Grandis and 60% of the value of the Riverbank hotel as set out in the most recent valuation (loan-to-value). In addition, the borrowers must ensure that, on each interest payment date, the Debt Service Coverage Ratio (DSCR) is not less than 115%. In January 2021, the Group received from the bank a waiver for the DSCR and the loan-to-value 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 was deferred to 2022. In December 2021, as part of the inclusion of Grandis under the Dutch hotels facility, it was agreed that the DSCR covenant will be tested from 30 June 2023 and the loan-to-value will be tested from 30 June 2022 for the Dutch hotels and Grandis. In February 2022, the Group received a letter from the bank confirming that the financial covenant testing for Riverbank Hotel will be postponed to 2023 with the first test due in April 2023 based on the results for 31 March 2023.
- 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 (loan-to-value). 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 January 2021, the Group received from the bank a waiver for the DSCR and the loan-to-value covenants until 30 April 2022 (inclusive) with the first test due in July 2022 based on the results for 30 June 2022. In January 2022, the Group received from the bank a waiver for the DSCR and the loan-to-value covenants until 30 April 2023 (inclusive) with the first test due in July 2023 based on the results for 30 June 2023.
- 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 (loan-to-value). In addition, the borrower must ensure that, on each interest payment date, the historical and projected DSCR are not less than 180%. In January 2021, the Group received from the bank a waiver for the DSCR and the loan-to-value covenants until 19 July 2022 with the first test due on 20 July 2022 based on the results for 30 June 2022. In January 2022, the Group received from the bank a waiver for the DSCR and the loan-to-value covenants until 19 July 2023 (inclusive) with the first test due in July 2023 based on the results for 30 June 2023.
- 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 (loan-to-value). 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 February 2021, the Group received from the bank a waiver for the DSCR and the loan-to-value 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. In February 2022, the Group received from the bank a waiver for the DSCR covenant until 30 March 2023 (inclusive) with the first test due in April 2023 based on the results for 31 March 2023. In November 2022, an amendment to the facility was signed in which it was agreed to remove the DSCR covenant and increase the annual loan amortisation by £1 million.
- 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. Since March 2019, the maturity date was extended a few times with the latest one, signed in September 2022, extending the maturity date to 13 September 2023.
- 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.

Note 14 Borrowings continued

In addition, on each test date, the total equity of PPHE Hotel Group must not be less than: (i) £150 million; and (ii) 20% of its asset value.

- 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 the first test date being 30 September 2021. In June 2021 the Group received from the bank a waiver for the DSCR until 30 June 2022 (inclusive) with the first test due in July 2022 based on the results for 30 June 2022. In February 2022, the first date of the financial covenants was further extended to 30 March 2023 (inclusive) with the first test due in April 2023 based on the results for 31 March 2023.
- 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 the first test date being 31 December 2021; (iii) in the event that the Waterloo facility referred to above 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 (iv) maintain minimum liquidity of £3 million at all times. In May 2021, as part of the facility extension to £40 million, it was agreed that the first date of the financial covenants will be extended to 30 June 2022 (inclusive) with the first test due in July 2022 based on the results for 30 June 2022. In February 2022, the first date of the financial covenants was further extended to 30 March 2023 (inclusive) with the first test due in April 2023 based on the results for 31 March 2023.
- Under the £1.6 million loan granted by Santander UK Plc to PPHE Living Limited dated 29 January 2020, the interest coverage ratio ('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).
- Under the UniCredit S.p.A. facility for Società Immobiliare Alessandro De Gasperis S.r.l., signed on 22 February 2022, the borrower must ensure throughout the entire term of the loan that the outstanding amount of the loan does not exceed 60% of the value of the property. Furthermore, from the earlier of (i) 30 June 2024; and (ii) the first interest payment date falling after 12 months following the completion of the property renovation (the 'first test date'), The borrower undertakes to ensure that the ratio between (i) the EBITDA of the borrower relating to the 12 month period preceding the relevant test date and (ii) the finance costs for the same applicable period (ICR) and the ratio between (i) the net operating profit of the borrower generated in the 12 month period preceding each test date and (ii) the principal amount of all facilities outstanding under this facilities agreement at that test date are higher than 2.0 and 7.5% respectively for the first test date and higher than 2.5 and 9% respectively for each test date thereafter.
- 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 2022, the Group received a letter from the bank confirming that all financial covenant testing will be postponed to 30 September 2023.
- 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%.
- Under the Zagrebačka 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.
- Under the Zagrebačka 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.

Note 14 Borrowings continued

- 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 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.
- 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%.
- 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.
- 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 €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 with the value of the asset as defined during 2020 by an external reputable valuator.
- Under the Zagrebačka banka d.d. loan signed in September 2021 as part of HBOR's programme for insurance of liquidity portfolio for exporters related with COVID-19 measurements in amount €20 million (£16.8 million) the borrower must ensure that DSCR is equal or greater than 3.5 and that the ratio between financial debt and EBITDA is lower than 4.5 starting at December 2023 and onwards.
- Under the Erste Group Bank AG loan signed in November 2021 for the purpose of financing the purchase of hotel FRANZ ferdinand Mountain Resort in Nassfeld, Austria, in the total amount €10.5 million (£8.8 million) the borrower has to comply with the following standalone covenants: projected DSCR is equal or greater than 1.15 at year end 2021 and historical DSCR is equal or greater than 1.35 from year end 2023 onwards. The amount of the loan cannot exceed 75% of the property used as collateral starting year end 2021 to year end 2023 and 65% at the year end 2024 until year end 2026.
- Under the Privredna banka d.d. loan signed in November 2022 for the purpose of refinancing investments done in Arena Kazela Campsite in previous years, in the total amount of €18.5 million, the borrower has to comply with the following standalone covenants: the DSCR is equal to or greater than 1.2 during the life of the loan, the net leverage ratio based on audited standalone financial statements is equal to or lower than 4.5 from 2022 and for each succeeding calendar year during the remaining life of the loan, and net leverage ratio based on audited consolidated financial statements is equal to or lower than 6.5 at year end 2023, and is equal to or lower than 5.5 at year end 2024 and for each succeeding calendar year during the remaining life of the loan. Moreover, the amount of the loan cannot exceed 70% of the value of the properties used as collateral.
- Under the HRVATSKA BANKA ZA OBNOVU I RAZVITAK loan signed in May 2022 for the purpose of financing the purchase of mobile homes in Arena Stoja Campsite, in the total amount of €2.9 million, the borrower has to comply with the equity ratio being at least 30% calculated based on standalone financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**
FOR THE YEAR ENDED 31 DECEMBER 2022

Note 14 Borrowings continued

- Under the ERSTE&STEIERMÄRKISHE BANK d.d. loan signed in March 2022 for the purpose of financing the investment in a hotel in Zagreb, in the amount of €12 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 is equal to or greater than 3.0 until 2022 and 3.5 from 2023 onwards. DSCR 2 is equal or greater than 1.2 throughout the life of the loan. Net leverage ratio is equal to or lower than 7 at year end 2022 and 4.5 at year end 2023 and for each succeeding calendar year during the remaining life of the loan. The amount of the loan cannot exceed 100% of the property used as collateral. The equity ratio has to be at least 30%.
- Under the OTP Bank Nyrt loan signed in October 2022 for the purpose of refurbishment of art'otel Budapest, in the amount of €2 million, the borrower has to comply with the following covenant: Annual debt service cover ratio is equal to or greater than 1.2 during the life of the loan.

Pursuant to bank loan agreements with certain subsidiaries, these subsidiaries are required to retain their cash balances for use in their hotel operations and are restricted from transferring the cash to other entities in the Group without a prior approval from the lenders.

As at 31 December 2022, taking into account all the covenant waivers received, the Group is in compliance with all of its banking covenants. The Group expects that it will comply with its' loan covenants going forward and no additional waivers will be needed.

Note 15 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 or 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 the international competitiveness of Croatian tourism due to lack of development and reduced income for 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 camps. 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 recognised 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 is 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 fee 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 made assessment of concession fee in the most prudent manner based on the most up-to-date available information. Concession fee liability for 2022 was recognised in the balance sheet under short-term liabilities. The new way of calculation concession fee almost doubled Arena's yearly expenses compared with expenses in the pre-COVID period. There was no payment of concession fee during 2022.

	2022 **£'000**	2021 £'000
Balance as at 1 January	**5,057**	5,399
Exchange rate differences	**274**	(342)
Balance as at 31 December	**5,331**	5,057

Note 16 Financial liability in respect of Income Units sold to private investors

	2022 £'000	2021 £'000
Total liability	**139,754**	142,573
Due from investors for reimbursement of capital expenditure	**(18,670)**	(18,022)
	121,084	124,551

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 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 17 Other financial liabilities

	As at 31 December	
	2022 £'000	2021 £'000
Derivative financial instruments	**–**	457
Lease liabilities (see Note 18)	**261,544**	245,274
Share appreciation rights (Note 6b)	**–**	4,860
Retention liability[1]	**2,691**	1,082
Other	**1,259**	1,689
	265,494	253,362

1 Retention in relation to the building contract with Gear Construction UK Limited for the design and construction of the art'otel London Hoxton hotel (see Note 29).

Note 18 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 and 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

Note 18 Leases continued

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 other £'000	Furniture, fixtures and equipment £'000	Total £'000
Cost:					
Balance as at 1 January 2022	**88,454**	**129,032**	**8,640**	**23,873**	**249,999**
Additions during the year	**–**	**215**	**50**	**–**	**265**
Re-measurement of right-of-use assets	**13,028**	**705**	**501**	**–**	**14,234**
Adjustment for exchange rate differences	**1,202**	**696**	**57**	**–**	**1,955**
Balance as at 31 December 2022	**102,684**	**130,648**	**9,248**	**23,873**	**266,453**
Accumulated depreciation and impairment:					
Balance as at 1 January 2022	**5,384**	**13,331**	**2,737**	**12,626**	**34,078**
Provision for depreciation	**504**	**2,761**	**878**	**2,410**	**6,553**
Adjustment for exchange rate differences	**9**	**342**	**28**	**–**	**379**
Balance as at 31 December 2022	**5,897**	**16,434**	**3,643**	**15,036**	**41,010**
Net book value as at 31 December 2022	**96,787**	**114,214**	**5,605**	**8,837**	**225,443**
Cost:					
Balance as at 1 January 2021	86,693	130,465	11,045	23,873	252,076
Additions during the year	–	212	–	–	212
Disposal	–	–	(2,381)	–	(2,381)
Re-measurement of right-of-use assets	3,261	919	46	–	4,226
Adjustment for exchange rate differences	(1,500)	(2,564)	(70)	–	(4,134)
Balance as at 31 December 2021	88,454	129,032	8,640	23,873	249,999
Accumulated depreciation and impairment:					
Balance as at 1 January 2021	4,934	11,184	1,928	10,236	28,282
Provision for depreciation	461	2,699	1,117	2,390	6,667
Disposal	–	–	(290)	–	(290)
Adjustment for exchange rate differences	(11)	(552)	(18)	–	(581)
Balance as at 31 December 2021	5,384	13,331	2,737	12,626	34,078
Net book value as at 31 December 2021	83,070	115,701	5,903	11,247	215,921

The amount of borrowing costs capitalised during the year ended 31 December 2022 was £215 thousand (2021: £212 thousand).

Note 18 Leases continued

Impairment

In 2022, there were no indicators of impairment.

Set out below are the carrying amounts of lease liabilities (included under Other financial liabilities and Other payables) and the movements during the period:

	2022 £'000	2021 £'000
As at 1 January	**251,618**	254,044
Additions	**50**	–
Disposals	**–**	(2,088)
Accretion of interest[1]	**9,952**	7,473
Reclassification	**–**	(158)
Payments	**(14,627)**	(13,011)
Re-measurement of lease liability recorded in other expenses	**3,704**	3,565
Re-measurement of lease liability adjusted against right-of-use assets	**14,234**	4,226
Exchange rate differences recorded in profit and loss	**1,662**	84
Adjustments for foreign exchange differences	**458**	(2,517)
As at 31 December	**267,051**	251,618
Current	**5,507**	6,344
Non-current	**261,544**	245,274

1 The amount of borrowing costs capitalised during the year ended 31 December 2022 was £215 thousand (2021: £212 thousand).

Set out below is a split of the lease liabilities, cash payments and effect in the income statement between lease agreements for a period longer than 40 years ('long-term leases') and leases for a period of up to 40 years ('short-term leases').

	Year ended 31 December 2022 £'000		
	Long-term leases (>40)	Short-term leases (<40)	Total
Lease liabilities	234,050	33,001	267,051
Fixed lease payments	9,031	5,596	14,627
Accretion of interest	8,968	984	9,952
Depreciation	3,774	2,779	6,553

	Year ended 31 December 2021 £'000		
	Long-term leases (>40)	Short-term leases (<40)	Total
Lease liabilities	216,204	35,414	251,618
Fixed lease payments	9,176	3,835	13,011
Accretion of interest	7,380	93	7,473
Depreciation	3,611	3,056	6,667

Note 18 Leases continued

Details regarding certain long-term lease agreements are as below:

(a) On 29 January 2020, the Group through its subsidiary 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 118-room hotel will include a destination restaurant and bar, wellness and spa facilities, fitness centre, event space and parking.

(b) Grandis has a land leasehold interest, expiring in 2095, of Holmes Hotel London. Based on the latest rent review that was signed on 29 September 2022, the annual rent amounts to £1,250 thousand.

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. Based on the latest rent review, effective from 10 May 2015, the annual rent amounts to £1,001 thousand.

(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. Based on the latest rent review, with effect from 15 June 2022, the annual rent amounts to £417 thousand.

(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	
	2022 £'000	2021 £'000
Depreciation expense	**6,553**	6,667
Interest expense on lease liabilities	**9,737**	7,261
Expense relating to low-value assets and short-term leases (included in operating expenses)	**169**	129
Expense relating to low-value assets and short-term leases (included in rent expenses)	**877**	944
Variable lease payments (included in rent expenses)	**1,544**	1,561
Total amount recognised in profit or loss	**18,880**	16,562

The Group had total cash outflows for leases of £17,217 thousand in 2022 (2021: £15,645 thousand).

Note 18 Leases continued

The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments in 2022 and 2021:

	As at 31 December 2022		
	Fixed payments £'000	**Variable payments £'000**	**Total £'000**
Fixed rent	**13,369**	**–**	**13,369**
Variable rent with minimum payment	**1,258**	**–**	**1,258**
Variable rent only	**–**	**1,544**	**1,544**

	As at 31 December 2021		
	Fixed payments £'000	Variable payments £'000	Total £'000
Fixed rent	12,253	–	12,253
Variable rent with minimum payment	758	5	763
Variable rent only	–	1,556	1,556

Note 19 Other payables and accruals

	As at 31 December	
	2022 £'000	2021 £'000
Current portion of lease liabilities	**5,507**	6,344
Current portion of share appreciation rights (Note 6b)	**5,519**	540
Employees	**4,640**	1,666
VAT and taxes	**14,514**	11,891
Accrued interest	**3,128**	3,089
Corporate income taxes	**130**	56
Accrued expenses	**26,808**	20,252
Advance payments received	**8,238**	6,021
Accrued rent	**4,402**	2,458
Variable income payment to holders of Income Units	**4,137**	860
Related parties[1]	**3,712**	–
Other	**109**	–
	80,844	53,177

1 Majority of this balance (£3,527 thousand) relates to an accrual for costs of the building contract with Gear Construction UK Limited for the design and construction of the art'otel London Hoxton hotel that were paid after the balance sheet date (see Note 29).

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Note 20 Revenues

	Year ended 31 December	
	2022 £'000	2021 £'000
Rooms	**237,793**	84,430
Campsites and mobile homes	**22,592**	16,446
Food and beverage	**56,711**	27,814
Minor operating (including room cancellation)	**7,401**	8,277
Management fee (see Note 13(c)(i))	**2,183**	529
Franchise and reservation fee (see Note 13(c)(i))	**1,466**	458
Marketing fee	**718**	156
Other	**1,227**	3,267
	330,091	141,377

Note 21 Operating expenses

	Year ended 31 December	
	2022 £'000	2021 £'000
Salaries and related expenses	**109,412**	68,710
Franchise, reservation and commissions expenses (see Note 13(c)(i))	**28,419**	12,186
Food and beverage	**16,471**	8,675
Insurance and property taxes	**19,156**	10,004
Utilities	**11,570**	7,736
Administration costs	**7,905**	3,607
Maintenance	**6,839**	4,693
Laundry, linen and cleaning	**5,472**	1,941
Supplies	**4,573**	2,186
IT expenses	**2,195**	1,639
Communication, travel and transport	**1,939**	1,141
Marketing expenses	**1,864**	1,523
Government grants payroll	**(183)**	(12,079)
Government grants fixed costs	**(2,461)**	(9,578)
Defined contribution pension premiums	**4,588**	3,174
Other expenses	**15,328**	8,250
	233,087	113,808

Note 22 Financial expenses

	Year ended 31 December	
	2022 £'000	2021 £'000
Interest and other finance expenses on bank loans	**24,815**	24,015
Interest on lease liabilities	**9,737**	7,261
Foreign exchange differences, net	**2,012**	–
Other	**693**	93
	37,257	31,369

Note 23 Financial income

	Year ended 31 December	
	2022 **£'000**	2021 £'000
Income from Park Plaza County Hall London Units	**887**	27
Interest on bank deposits	**375**	163
Foreign exchange differences, net	**–**	42
Interest and other financial income from jointly controlled entities (see Note 29(b))	**117**	101
Other	**137**	–
	1,516	333

Note 24 Other income and expenses

a. Other expenses

	Year ended 31 December	
	2022 **£'000**	2021 £'000
Capital loss on buy-back of Income Units previously sold to private investors	**1,499**	543
Re-measurement of lease liability[1]	**3,704**	3,565
Loss on disposal of fixed assets[2]	**47**	436
Other non-recurring expenses (including pre-opening expenses)	**1,422**	305
Revaluation of share appreciation rights (see Note 6b(i))	**119**	–
Loan early repayment break costs (see Note 14b)	**–**	505
Business combination acquisition costs (see Notes 3a and 3b)	**–**	1,017
Arena – legal settlement[3]	**–**	3,047
	6,791	9,418

1 This amount represents re-measurement of the Waterloo lease liability based on the 2% collar (see Note 18).
2 Loss on disposal in 2021 mainly relates to the write-off and disposals of fixed assets due to reconstruction of Hotel Brioni Pula.
3 In 2013, Tehnoekologija d.o.o. (TE) initiated a litigation procedure against Arena for the compensation of the investments that TE supposedly had made in the campsite Kažela, Medulin, between the years 1998 and 2005 when Kažela, Medulin, was operated by TE based on the lease agreement entered into between Arena and TE. Arena and TE have reached a settlement for this long-term litigation which resulted in a compensation to TE in the amount of HRK 26 million (£3 million). An accrual for the expected settlement amount was recorded in 2021 under other payables and accruals. In 2022, the settlement amount was fully paid.

b. Other income

	Year ended 31 December	
	2022 **£'000**	2021 £'000
Revaluation of share appreciation rights (see Note 6b(i))	**–**	1,750
Revaluation of interest rate swap (note 30a)	**9,692**	–
Revaluation of Income Units Park Plaza County Hall London (see Note 7)	**300**	602
Gain on sale of fixed assets	**–**	1,432
	9,992	3,784

Note 25 Net expenses for financial liability in respect of Income Units sold to private investors

	Year ended 31 December	
	2022 £'000	2021 £'000
Variable return (see Note 2(k))	**11,947**	2,567
Reimbursement of depreciation expenses (see Note 2(k))	**(1,164)**	(618)
	10,783	1,949

Note 26 Income taxes
a. Tax benefit (expense) included in the income statement

	Year ended 31 December	
	2022 £'000	2021 £'000
Current taxes	**(394)**	(350)
Adjustments in respect of current income tax of previous year	**87**	61
Deferred taxes	**3,663**	5,340
	3,356	5,051

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 2022	**8,334**	**(11,009)**	**5,660**	**2,985**
Amounts charged to income statement	**4,134**	**274**	**(745)**	**3,663**
Change in tax rate				
Adjustments for exchange rate differences	**460**	**(399)**	**278**	**339**
Balance as at 31 December 2022	**12,928**	**(11,134)**	**5,193**	**6,987**
Balance as at 1 January 2021	4,208	(11,999)	6,043	(1,748)
Amounts charged to income statement	3,962	1,378	–	5,340
Amount recognised in business combination (see Note 3(a))	378	(908)	–	(530)
Adjustments for exchange rate differences	(214)	520	(383)	(77)
Balance as at 31 December 2021	8,334	(11,009)	5,660	2,985

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	
	2022 £'000	2021 £'000
Deferred tax assets	**12,909**	10,221
Deferred tax liabilities	**(5,922)**	(7,236)
	6,987	2,985

Note 26 Income taxes continued

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	
	2022 **£'000**	2021 £'000
Profit before income taxes	**11,456**	(57,555)
Expected tax at the tax rate of the United Kingdom 19% (2021: 19%)	**(2,177)**	10,936
Adjustments in respect of:		
Effects of other tax rates	**1,265**	2,594
Non-deductible expenses	**(3,825)**	(8,269)
Utilisation of carried forward losses and temporary differences for which deferred tax assets were not previously recorded	**5,406**	291
Temporary differences for which no deferred tax asset was recorded		(211)
Non-taxable income	**135**	114
Unrecognised current year tax losses	**(1,695)**	(5,299)
Recognition of deferred tax asset on losses from previous years	**4,072**	3,634
Other differences	**175**	1,261
Income tax benefit (expense) reported in the income statement	**3,356**	5,051

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 25.8%.
2. Taxation in the United Kingdom: corporate income tax rate for domiciled companies and for non-domiciled companies is 19% (2021: 19%).
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%.
6. Taxation in Italy: aggregated corporate tax rate (IRES) and local tax (IRAP) rate 27.9%.
7. Taxation in Austria: corporate income tax rate 25%.
8. Taxation in Serbia: corporate income tax rate 15%.

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Note 26 Income taxes continued

Corporate tax rate in the UK – In March 2021, the UK government adopted the Spring Budget 2021 which included an increase in the UK corporate tax rate from 19% to 25% from 1 April 2023.

Corporate tax rate in the Netherlands – In 2020, under the 2021 tax plan which was adopted on 15 December 2020 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%. In 2021, under the 2022 tax plan which was adopted on 21 December 2021, it was decided that the corporate income tax rate will increase to 25.8% starting 1 January 2022.

e. Losses carried forward for tax purposes

The Group has carried forward losses for tax purposes estimated at approximately £208.8 million (2021: £200.8 million). The Group did not establish deferred tax assets in respect of losses amounting to £152.6 million (2021: £161.5 million) which 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, based on confirmation from the Ministry of Economy and pursuant to the Investment Promotion and Development of Investment Climate Act in Croatia, Arena became eligible to claim incentive allowances. Investments eligible for incentives are investments done in Arena One 99 Glamping Campsite, Arena Grand Kažela Campsite, Hotel Brioni, Verudela Beach self-catering apartment complexes, among others.

Arena has the right to use the investment tax credits until 2027. The execution of the investment project is subject to supervision by the relevant institutions throughout the period of use of the tax credits and Arena will need to present regular annual reports to the tax authority in which it will evidence that the conditions for the use of the tax credits are met.

Note 27 Earnings per share

The following reflects the income and share data used in the basic earnings per share computations:

	Year ended 31 December	
	2022 £'000	2021 £'000
Profit (loss) attributable to equity holders of the parent	**10,159**	(52,129)
Weighted average number of ordinary shares outstanding	**42,523**	42,539

Potentially dilutive instruments 399,294 in 2022 had an immaterial effect on the basic earnings per share (2021: 177,027 were not considered, since their effect is antidilutive).

Note 28 Segments

For management purposes, the Group's activities are divided into Owned Hotel Operations and Management and Central Services Activities (for further details see Note 13(c)(i)). Owned Hotel Operations are further divided into four reportable segments: the Netherlands, Germany, Croatia and the United Kingdom. Other includes individual hotels in Hungary, Serbia, Italy and Austria.
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 2022							
	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other[1] £'000	Management and Central Services £'000	Adjustments[2] £'000	Consolidated £'000
Revenue								
Third party	41,573	17,724	190,105	69,237	6,344	5,108		330,091
Inter-segment		16	302	168		32,365	(32,851)	
Total revenue	41,573	17,740	190,407	69,405	6,344	37,473	(32,851)	330,091
Segment EBITDA	11,163	6,368	56,218	21,426	(629)	37		94,583
Depreciation, amortisation								(40,006)
Financial expenses								(37,257)
Financial income								1,516
Net expenses for liability in respect of Income Units sold to private investors								(10,783)
Other income (expenses), net								3,201
Share in result of joint ventures								202
Profit before tax								11,456

1 Includes art'otel Budapest in Hungary, 88 Rooms Hotel in Belgrade, Serbia, Londra & Cargill Hotel in Rome, Italy, and FRANZ ferdinand Mountain Resort in Nassfeld, Austria.
2 Consist of inter-company eliminations.

	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other £'000	Adjustments[2] £'000	Consolidated £'000
Geographical information							
Non-current assets[1]	194,833	72,537	949,931	241,312	59,307	55,512	1,573,432

1 Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets and intangible assets.
2 This includes the non-current assets of Management and Central Services.

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Note 28 Segments continued

	Year ended 31 December 2021							
	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other[1] £'000	Management and Central Services £'000	Adjustments[2] £'000	Consolidated £'000
Revenue								
Third party	10,352	6,618	75,277	44,618	853	3,659		141,377
Inter-segment						14,308	(14,308)	
Total revenue	10,352	6,618	75,277	44,618	853	17,967	(14,308)	141,377
Segment EBITDA	1,071	6,671	11,221	14,556	(853)	(7,601)		25,065
Depreciation, amortisation and impairment								(43,283)
Financial expenses								(31,369)
Financial income								333
Net expenses for liability in respect of Income Units sold to private investors								(1,949)
Other income (expenses), net								(5,634)
Share in result of joint ventures								(718)
Profit before tax								(57,555)

1 Includes art'otel Budapest in Hungary, 88 Rooms Hotel in Belgrade, Serbia, Londra & Cargill Hotel in Rome, Italy, and FRANZ ferdinand Mountain Resort in Nassfeld, Austria.
2 Consist of inter-company eliminations.

	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other £'000	Adjustments[2] £'000	Consolidated £'000
Geographical information							
Non-current assets[1]	188,701	71,402	869,324	217,779	64,442	53,878	1,465,526

1 Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets and intangible assets.
2 This includes the non-current assets of Management and Central Services.

Note 29 Related parties

a. Balances with related parties

	As at 31 December	
	2022 £'000	2021 £'000
Loans to joint ventures (see Note 6a)	**5,573**	5,222
Short-term receivables	**100**	56
Payable to GC Project Management Limited	**(185)**	(125)
Payable to Gear Construction UK Limited (see Notes 17 and 19)	**(6,218)**	(1,082)

b. Transactions with related parties

	As at 31 December	
	2022 £'000	2021 £'000
Cost of transactions with GC Project Management Limited	**(300)**	(60)
Cost of transactions with Gear Construction UK Limited	**(47,872)**	(27,735)
Rent income from sub-lease of office space	**67**	173
Management fee revenue from jointly controlled entities	**822**	271
Interest income from jointly controlled entities	**118**	101

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'). Of this amount, c.£24.6 million is based on provisional sums, primarily in respect of FF&E and fit out of the hotel which are detailed and set out as provisional sums in the building contract. This might cause the total amount payable to Gear UK under the building agreement to be greater or less than the Contract Sum. On top of the Contract Sum, the Group novated certain existing contracts relating to the project to Gear at cost subject to a cap of £6 million (exclusive of VAT). Gear is required to complete the works to be executed under the building contract by 2024.

Gear makes monthly applications for payments in line with the building contract and following construction industry contractual norms. The applications will be valued by AECOM acting as the Employer's agent and providing cost management services, who is appointed by the Employer but has a duty to act fairly in accordance with the terms of the contract. The Employer's Agent will also be responsible for assessing any applications by Gear for extensions of time, variations or additional scope of work or additional loss and/or expense under the building agreement.

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 two-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. 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.

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Note 29 Related parties continued

(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.

(v) **Londra & Cargill project management agreement** – On 26 August 2022, the Group entered into an agreement with GC Project Management Limited for the provision of project management services to the Group in respect of the redevelopment of Hotel Londra & Cargill in Rome, Italy for a fixed total fee of £640,000 to be paid in monthly instalments for the duration of the project. The contractual framework is the same as for all such prior project management agreements entered into with GC Project Management Limited.

Summary of the remuneration for Executive and Non-Executive Directors for the year ended 31 December 2022:

	Base salary and fees £'000	**Bonus £'000**	**Pension contributions £'000**	**Other benefits £'000**	**Total £'000**
Chairman and Executive Directors	**1,148**	**531**	**64**	**13**	**1,756**
Non-Executive Directors	**284**	**–**	**–**	**–**	**284**
	1,432	**531**	**64**	**13**	**2,040**

Summary of the remuneration for Executive and Non-Executive Directors for the year ended 31 December 2021:

	Base salary and fees £'000	Salary sacrifice options £'000	Pension contributions £'000	Other benefits £'000	Total £'000
Chairman and Executive Directors	953	47	115	16	1,131
Non-Executive Directors	269	–	–	–	269
	1,222	47	115	16	1,400

Directors' interests in employee share incentive plan

As at 31 December 2022, the Executive Directors held share options to purchase 70,000 ordinary shares (2021: 29,308). 25,000 options were fully exercisable with an exercise price of £14.30 (2021: 25,000) and 23,000 options were fully exercisable with a £nil exercise price (2021: 4,308). No share options were granted to Non-Executive Directors of the Board.

Note 30 Financial instruments risk management objectives and policies

The Group's principal financial instruments, other than derivatives, 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 2022 £'000	**Cash flows £'000**	**Re-measurement through profit and loss £'000**	**Re-measurement against right-of-use assets £'000**	**Re-measurement against equity £'000**	**Foreign exchange movement £'000**	**New leases/ loans, net £'000**	**Other £'000**	**As at 31 December 2022 £'000**
Non-current interest-bearing loans and borrowings	**729,284**	–	**–**	**–**	**–**	**16,091**	**100,415**	**(28,159)**	**817,631**
Non-current lease liability	**245,274**	–	**3,704**	**14,234**	**–**	**307**	**50**	**(2,024)**	**261,545**
Financial liability in respect of Income Units sold to private investors	**124,551**	**(3,388)**	**–**	**–**	**–**	**–**	**–**	**(78)**	**121,085**
Derivative financial instruments	**457**	**(109)**	**(9,814)**	**–**	**(21,002)**	**(71)**	**–**	**–**	**(30,539)**
Non-current share appreciation rights	**4,860**	–	**–**	**–**	**–**	**–**	**–**	**(4,860)**	**–**
Current share appreciation rights	**540**	–	**119**	**–**	**–**	**–**	**–**	**4,860**	**5,519**
Current interest-bearing loans and borrowings	**38,840**	**(21,330)**	**–**	**–**	**–**	**3,187**	**(2,440)**	**28,844**	**47,101**
Current lease liability[1]	**6,344**	**(4,890)**	**–**	**–**	**–**	**151**	**–**	**3,901**	**5,506**
	1,150,150	**(29,717)**	**(5,991)**	**14,234**	**(21,002)**	**19,665**	**98,025**	**2,484**	**1,227,848**

1 Includes accrued interest on deferred lease payments.

	Changes in financial liabilities arising from financing activities							
	As at 1 January 2021 £'000	Cash flows £'000	Re-measurement through profit and loss £'000	Re-measurement against right-of-use assets £'000	Foreign exchange movement £'000	New leases/ loans, net £'000	Other £'000	As at 31 December 2021 £'000
Non-current interest-bearing loans and borrowings	721,006	–	–	–	(18,013)	38,886	(12,595)	729,284
Non-current lease liability	243,650	–	3,565	4,226	(2,250)	(2,088)	(1,829)	245,274
Financial liability in respect of Income Units sold to private investors	126,155	(1,390)	–	–	–	–	(214)	124,551
Derivative financial instruments	880	–	–	–	(53)	–	(370)	457
Non-current share appreciation rights	–	6,435	(1,575)	–	–	–	–	4,860
Current share appreciation rights	–	715	(175)	–	–	–	–	540
Current interest-bearing loans and borrowings	36,369	(9,486)	–	–	(844)	(2,388)	15,189	38,840
Current lease liability[1]	10,393	(6,825)	–	–	(267)	–	3,043	6,344
	1,138,453	(10,551)	1,815	4,226	(21,427)	34,410	3,224	1,150,150

1 Includes accrued interest on deferred lease payments.

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Note 30 Financial instruments risk management objectives and policies continued

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 significantly 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.

Given the recent interest rate movements and in order to mitigate the interest rate risk that can potentially crystallise upon future refinance, the Group entered to the following forward interest rate swap agreements:

- On 17 February 2022, PPHE Hoxton B.V. entered into a forward interest rate swap agreement with Bank Hapoalim B.M. (BHI) in order to hedge the variable interest exposure of the £180 million facility with BHI to fund the development of art'otel London Hoxton (the 'Facility'). The interest rate swap has a notional amount of £180 million, amortising 2% per year starting September 2024 in line with the Facility, whereby on a quarterly basis starting 20 June 2024 PPHE Hoxton B.V. will receive a variable rate equal to three month Sonia and will pay a fixed rate of interest of 1.4765% on the outstanding notional amount. The interest rate swap will mature on 8 April 2030 in line with the final maturity date of the Facility (including a six-year extension).

  Given that there is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the loan (i.e., notional amount, maturity and payment), the Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. As at 31 December 2022, the interest rate swap has a fair value of £18.4 million and is included in other non-current assets. The change in the fair value of the interest rate swap in the amount of £18.4 million for the year ended 31 December 2022 is recorded as other comprehensive income.

- On 25 April 2022, Park Plaza Hotels (UK) ltd, a wholly owned subsidiary of the Company, entered into two forward interest rate swap agreements with Santander UK Plc in order to partially hedge the interest rate exposure of the outstanding €165.6 million and £208.6 million loans that are expected to be refinanced in June 2026. The first interest rate swap has a notional amount of £100 million whereby on a quarterly basis starting 30 June 2026 until 30 June 2031 Park Plaza Hotels (UK) ltd will receive a variable rate equal to three-month Sonia and will pay a fixed rate of interest of 1.941% on the notional amount. The second interest rate swap has a notional amount of €100 million whereby on a quarterly basis starting 30 June 2026 until 30 June 2031 Park Plaza Hotels (UK) ltd will receive a variable rate equal to three-month Euribor and will pay a fixed rate of interest of 1.95% on the notional amount. The interest rate swap agreements include a mandatory early termination at 30 June 2026. Although the Group has entered into these interest rate swaps to serve as an economic hedge against changes in future interest payments, the interest rate swaps do not qualify as accounting hedges under IFRS 9 due to the mandatory early termination. Accordingly, these interest rate swaps are accounted for as financial instruments measured at fair value through profit or loss. As at 31 December 2022, the interest rate swaps have a fair value of £9.8 million and are included in other non-current assets. The change in the fair value of the interest rate swaps in the amount of £9.7 million for the year ended 31 December 2022 is recorded as other income in the consolidated income statement.

The interest rate swaps mentioned above 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. The fair value measurement is Level 2 of the fair value hierarchy.

The Group also has other interest rate swaps from previous years that are valued using the techniques that described above.

The fair value of all of the swaps of the Group as at 31 December 2022 amounts to an asset of £30.5 million (2021: liability of £457 thousand).

Note 30 Financial instruments risk management objectives and policies continued

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Effect on profit before tax £'000		
Increase in floating interest rate[1]	**GBP**	**EUR**	**US Dollar**
1%	**910**	**89**	**159**
2%	**1,820**	**177**	**318**
5%	**4,550**	**443**	**795**

1 The assumed movement in floating interest rate for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

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.

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.

The Group continues to hold a strong liquidity position with an overall consolidated cash balance of £163.6 million as at 31 December 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

Note 30 Financial instruments risk management objectives and policies continued

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2022 and 2021 based on contractual undiscounted payments.

	As at 31 December 2022					
	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]	**19,319**	**56,534**	**59,962**	**545,414**	**322,947**	**1,004,176**
Financial liability in respect of Income Units sold to private investors[2]	**3,285**	**9,855**	**13,140**	**39,420**	**121,084**	**186,784**
Lease liability[3]	**3,248**	**9,919**	**13,498**	**39,848**	**890,068**	**956,581**
Trade payables	**13,565**	**–**	**–**	**–**	**–**	**13,565**
Other liabilities	**37,707**	**37,630**	**–**	**–**	**18,062**	**93,399**
	77,124	**113,938**	**86,600**	**624,682**	**1,352,161**	**2,254,505**

	As at 31 December 2021					
	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]	15,863	47,249	46,130	492,447	299,642	901,331
Financial liability in respect of Income Units sold to private investors[2]	493	1,477	9,198	39,420	124,551	175,139
Derivative financial instruments	57	171	229	–	–	457
Lease liability[3]	3,653	18,019	12,962	36,170	605,497	676,301
Trade payables	16,650	–	–	–	–	16,650
Other liabilities	23,097	24,035	4,860	–	16,304	68,296
	59,813	90,951	73,379	568,037	1,045,994	1,838,174

1 See Note 14 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 CPI/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 30 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.

	2022 £'000	2021 £'000
Interest-bearing bank loans and borrowings	**864,732**	768,124
Less – cash and cash equivalents	**(163,589)**	(136,802)
Less – long-term restricted cash	**(9,272)**	(8,121)
Less – short-term restricted cash	**(9,229)**	(5,204)
Less – investments in marketable securities	**–**	(22)
Net debt	**682,642**	617,975
Equity	**503,245**	447,211
Hedging reserve	**(20,398)**	434
Total capital	**482,847**	447,645
Capital and net debt	**1,165,489**	1,065,620
Gearing ratio	**58,6%**	58.0%

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.

Note 30 Financial instruments risk management objectives and policies continued

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. The Group also granted share appreciation rights of the Company to Clal (see Note 6b) which is valued by using the Black–Scholes model. 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.

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.

As at 31 December 2022, the Group held the following financial instruments measured at fair value:

Liabilities

	31 December 2022 £'000	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Share appreciation rights	**5,519**	**–**	**5,519**	**–**

Assets

	31 December 2022 £'000	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Interest rate swaps used for hedging	**30,539**	**–**	**30,539**	**–**
Income Units in Park Plaza County Hall London	**16,100**	**–**	**16,100**	**–**

As at 31 December 2021, the Group held the following financial instruments measured at fair value:

Liabilities

	31 December 2021 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Interest rate swaps used for hedging	457	–	457	–
Share appreciation rights	5,400	–	5,400	–

Assets

	31 December 2021 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investments in marketable securities	22	22	–	–
Income Units in Park Plaza County Hall London	15,800	–	15,800	–

Note 30 Financial instruments risk management objectives and policies continued

During 2022 and 2021, 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	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Financial liabilities				
Bank borrowings	**864,732**	768,124	**811,179**	784,167

Note 31 Subsequent events

a European Hospitality Real Estate Fund

After the reporting period, the Group announced that it is in advanced discussions with a potential cornerstone investor with a view to launching a new European Hospitality Real Estate Fund ("the Fund") of up to €250 million equity subject to regulatory approval.

The Group intends to participate in the Fund for an amount up to €50 million in cash and/or assets and €75 million equity commitment will be received from the cornerstone investor. It is the expectation that in the coming year, additional investors will be able to participate for the remaining €125 million equity, following the receipt of regulatory approval.

It is the intention of the Group that the existing PPHE Rome asset, which is currently undergoing refurbishment and repositioning ahead of its opening as Italy's first art'otel, will be contributed into the Fund as a seed asset by the Group. This hotel will be managed by the Group under its hospitality management platform.

b Final Dividend

The Board is proposing a final dividend payment of 12 pence per share (2021: Nil pence per share). Subject to shareholder approval at the Annual General Meeting, to be held on 23 May 2023, the dividend will be paid on 31 May 2023 to shareholders on the register at 28 April 2023. The shares will go ex-dividend on 27 April 2023.

APPENDICES

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	51.2
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	53.20
ACO Hotel Holding B.V.	Holding company	Netherlands	53.20
Amsterdam Airport Hotel Holding B.V. (formerly known as Victoria Schiphol Holding B.V.)	Holding company	Netherlands	100
Amsterdam Airport Hotel Operator B.V.	Hotel Operation	Netherlands	100
Arena 88 Rooms Holding d.o.o.	Holding company	Serbia	53.20
Arena 88 Rooms d.o.o.	Hotel operation	Serbia	53.20
ARENA FRANZ Ferdinand GmbH	Hotel company	Austria	53.20
Arena Hospitality Group d.d.	Hotel operation	Croatia	53.20
Arena Hospitality Management d.o.o.	Management	Croatia	53.20
art'amsterdam Hotel Operator B.V.	Hotel operation	Netherlands	100
art'otel Berlin City Center West GmbH	Hotel operation	Germany	53.20
art'otel köln betriebsgesellschaft mbH	Hotel operation	Germany	53.20
Art'otel (I.L.) Management Services Limited (under liquidation)	Holding company	Israel	100
Aspirations (Limited)	Holding company	Guernsey	51
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 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	53.20
Golden Wall Investments Limited	Finance company	British Virgin Islands	100
Grandis Netherlands Holding 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
Hoxton Hotel Operator Limited	Hotel operation	United Kingdom	51
Leeds Hotel Operator Limited (formerly Nottingham Park Plaza Hotel Operator Limited)	Hotel operation	United Kingdom	100
Leno Investment Limited	Holding company	Guernsey	100
Londra Cargill Parent S.r.l.	Holding company	Italy	100
Marlbray Limited	Holding company	United Kingdom	100
Mazurana d.o.o.	Holding company	Croatia	53.20

Name of company	Principal activity	Country of incorporation	Direct and indirect holdings %
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 (in liquidation)	Hotel operation	Germany	53.20
Park Plaza County Hall London Ltd	Holding company	United Kingdom	11.50
Park Plaza Germany Holdings GmbH	Holding company	Germany	53.20
Park Plaza Hospitality Services (UK) Limited	Hotel operation	United Kingdom	100
Park Plaza Hotels (Germany) Services GmbH	Hotel operation	Germany	53.20
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	53.20
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	53.20
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)	Hotel operation	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.	Holding 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	53.20
PPHE Headco Limited	Holding company	United Kingdom	100
PPHE Holdings Limited	Holding company	United Kingdom	100
PPHE Hotel Group Limited	Holding company	Guernsey	100
PPHE Hoxton B.V.	Holding company	Netherlands	51
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	53.20
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	51
Riverbank Hotel Operator Limited	Hotel operation	United Kingdom	51
Sherlock Holmes Hotel Shop Limited	Hotel operation	United Kingdom	100
Sherlock Holmes Park Plaza Limited	Hotel operation	United Kingdom	100

APPENDICES CONTINUED

Name of company	Principal activity	Country of incorporation	Direct and indirect holdings %
Signature Sub BV	Holding company	Netherlands	51
Signature Top Ltd	Holding company	United Kingdom	51
Signature Top II Ltd	Holding company	United Kingdom	100
Società Immobiliare Alessandro De Gasperis S.r.l.	Hotel operation	Italy	100
South Bank Hotel Management Company Ltd	Holding company	United Kingdom	11.50
Suf Holding B.V.	Holding company	Netherlands	100
Sugarhill Investments B.V.	Holding company	Netherlands	53.20
SW Szállodaüzemeltetö Kft	Hotel operation	Hungary	53.20
The Mandarin Hotel B.V.	Holding company	Netherlands	100
TOZI Restaurant Operator Limited	Hotel operation	United Kingdom	100
Ulika d.o.o.	Holding company	Croatia	53.20
Utrecht Hotel Holding B.V.	Holding company	Netherlands	100
Utrecht Hotel Operator B.V.	Hotel operation	Netherlands	100
Victoria Amsterdam Hotel Holding B.V.	Holding company	Netherlands	100
Victoria Amsterdam Hotel Operator B.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
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	Direct and indirect holdings %
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
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
art'otel Zagreb	Zagreb, Croatia	New development	Expected to open 2023
Guest House Hotel Riviera, Pula	Istria, Croatia	Repositioning	In design process
FRANZ ferdinand Mountain Resort	Nassfeld, Austria	Repositioning	Phase one completed
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
art'otel Rome	Rome, Italy	Repositioning	Expected to open 2024

GLOSSARY

Adjusted	Excluding the effect of exceptional items and any relevant tax.
Annual General Meeting	The Annual General Meeting of PPHE Hotel Group on 23 May 2023.
Annual Report and Accounts	The Annual Report of PPHE Hotel Group in relation to the year ended 31 December 2022.
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 30 owned, co-owned, leased and managed properties with more than 10,000 rooms and accommodation units in Croatia, Germany, Hungary, Serbia and Austria. 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.
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.artotel.com
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 Keen (Non-Executive Director & Senior Independent Director), Kenneth Bradley (Non-Executive Director), Stephanie Coxon (Non-Executive Director), Marcia Bakker (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.
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.
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.
EPS	Earnings per share.
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.
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.
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.
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.
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.

Alternative Performance Measures

In order to aid stakeholders and investors in analysing the Group's performance and understanding the value of its assets and earnings from a property perspective, the Group have disclosed the following Alternative Performance Measures which are commonly used in the Real Estate and the Hospitality sectors.

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.
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.
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.
Adjusted EPRA earnings	EPRA earnings with the Company's specific adjustments. The main adjustments includes removal of unusual or onetime influences and 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.
Adjusted EPRA earnings per share	Adjusted EPRA earnings divided by the weighted average number of ordinary shares outstanding during the year.
EPRA earnings	Shareholders' earnings from operational activities adjusted to remove changes in fair value of financial instruments and reported depreciation.
EPRA earnings per share	EPRA earnings divided by the weighted average number of ordinary shares outstanding during the year.
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 Re-instatement Value (EPRA NRV) per share	EPRA NRV divided by the fully diluted number of shares at the end of the period.
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.
EPRA Net Disposal Value (EPRA NDV) per share	EPRA NDV divided by the fully diluted number of shares at the end of the period.
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 Tangible Assets (EPRA NTA) per share	EPRA NTA divided by the fully diluted number of shares at the end of the period.
Gearing ratio	Net bank debt divided by the sum of total equity and net bank debt.
Debt Service Coverage Ratio (DSCR)	EBITDA, less net expenses for financial liability in respect of Income Units sold to private investors and lease payments, divided by the sum of interest on bank loans and yearly bank loans redemption.
Interest Cover ratio (ICR)	EBITDA, less net expenses for financial liability in respect of Income Units sold to private investors and lease payments, divided by interest on bank loans.
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.
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 long-term and short-term restricted cash, including the exchange element of the fair value of currency swaps hedging the borrowings.
Normalised profit before tax	Profit before tax adjusted to remove unusual or onetime influences.
Occupancy	Total occupied rooms divided by net available rooms or RevPAR divided by ARR.
Average room rate (ARR)	Total room revenue divided by the number of rooms sold.
RevPAR	Revenue per available room. Total rooms revenue divided by net available rooms or ARR x occupancy %.

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Kevin McAuliffe	(Non-Executive Deputy Chairman)
Nigel Keen	(Non-Executive Director & Senior Independent Director)
Kenneth Bradley	(Non-Executive Director)
Stephanie Coxon	(Non-Executive Director)
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arenahospitalitygroup.com

For reservations
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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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