PPHE HOTEL GROUP

pphe HOTEL GROUP

CONNECTING OPPORTUNITIES

ANNUAL REPORT AND ACCOUNTS 2021

art'otel

PARK PLAZA

ARENA HOTELS & APARTMENTS

ARENA CAMPSITES

Highlights

Financial KPIs[1]

Total revenue	Normalised profit before tax
£141.4m	**£(47.5)m**
2020: £101.8m	2020: £(89.8)m

Adjusted EPRA EPS	Property value
(44)p	**£1.8bn**
2020: (123)p	2020: £1.7bn

EBITDA	EPRA NRV per share
£25.1m	**£22.15**
2020: £(10.1)m	2020: £22.08

Operating KPIs[1]

Occupancy
30.7%
2020: 28.0%

Average room rate
£117.0
2020: £105.1

RevPAR
£35.9
2020: £29.4

Responsible Business

Our People

- Linking development to learning
- Attracting and retaining talent
- Increasing diversity in the workplace

Our Places

- Increasing our charity initiatives and volunteering
- Contributing to and investing in our local community

Our Planet

- Reducing our carbon footprint
- Conserving water
- Recycling more and reducing waste
- Increasing the use of ethically sourced and eco-friendly materials

Learn more – See our Responsible Business strategy on pages 74 to 89.

1. Details of Alternative Performance Measures (APMs) can be found in the APM glossary on page 209.

Business highlights

- The Group's attractive locations and quality and depth of its portfolio have enabled it to outperform when restrictions were eased
- Successfully secured contracted business in times of uncertainty and volatility, including government and essential travel contracts and serving as the host hotel for the players and support teams of the Wimbledon Championships
- Winner of The Caterer's 2021 Best Employer in Hospitality Award
- Raised £125.8 million of cash to pursue new growth opportunities by entering into a joint venture partnership on two of our London properties
- Progressed our £200m+ development pipeline and repositioning projects and acquired hotels in Austria (Nassfeld) and Italy (Rome)
- Looking ahead at 2022 with confidence in demand for travel and excitement for our several new (re)openings

Learn more – see our Business review

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 48 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 while recognising and developing opportunities to help our assets reach their full potential. We delight our guests every day, through engaging service and quality products in inviting places.

How we do it

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

Our purpose

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

HOLMES HOTEL LONDON

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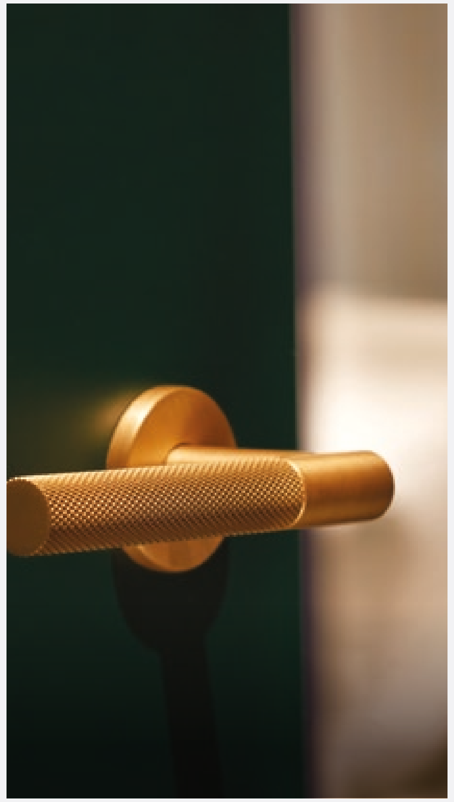

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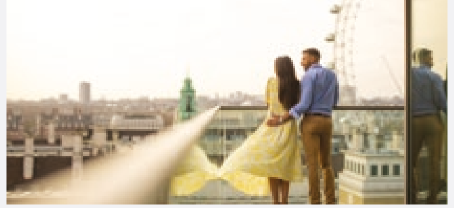

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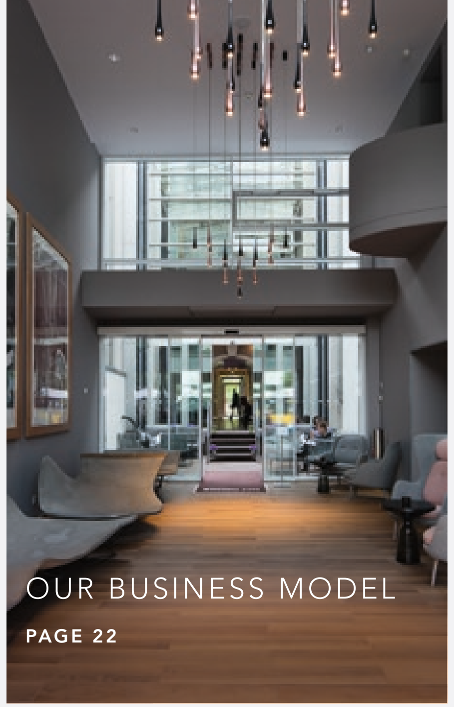

OUR BUSINESS MODEL
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We create memorable guest experiences by **owning, developing** and **operating** hotels and resorts in dynamic, vibrant cities and leisure destinations. Our properties are managed by experienced teams **living our values every day,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

Our investment case

Full value chain approach

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

Sources of funding

Asset backing used as source of funding, all growth post 2007 IPO realised without diluting shareholders

Diversified portfolio in key cities and leisure locations

New and renovated property portfolio of 48 prime assets in operation; consisting of hotels, resorts and campsites

Planned capex in active pipeline of £200m+

Attractive projects in London, Pula, Zagreb and Rome

Independent operator with brand flexibility

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

Track record of successfully managing through the cycles

Experienced developers and operators, with 35 year track record of managing through economic cycles

We have **three strategic blocks** which are supported by PPHE's pillars and enablers to achieve our vision

We have a framework for our future strategy which is built across a series of distinctive strategic blocks, underpinned by PPHE's pillars and enablers

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.

STRATEGIC BLOCKS

- Core, upper upscale, city centre hotels
- Leisure and outdoor hospitality
- Hospitality management platform

REAL ESTATE

PPHE PILLARS AND ENABLERS

- Restaurants and bars
- Diversification of property portfolio
- Non-dilutive capital approach
- People and culture
- Guest satisfaction
- ESG

BUSINESS MODEL

Learn more – see pages 22 and 23

Operating across the **value chain**

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

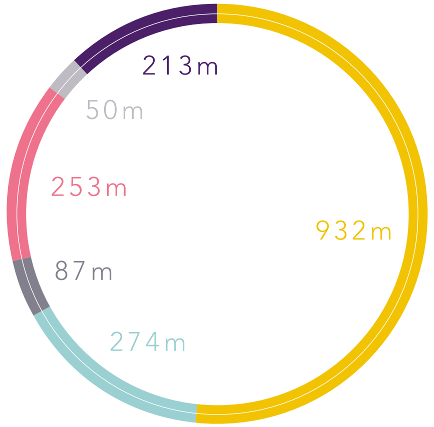
✓ PPHE's offer

TOTAL VALUE CHAIN		PPHE HOTEL GROUP		OTHER HOTEL OPERATORS	
		BUSINESS MODEL BENEFITS	SHAREHOLDER VALUE PROPOSITION	TYPICAL ASSET-LIGHT MODEL ADOPTED BY LARGE HOTEL GROUPS	TYPICAL ASSET-HEAVY MODEL
Site acquisition	✓	Secure best locations and control over all aspects of the hotel design	Value gains through development and repositioning		
Development / repositioning	✓				
Hotel ownership	✓	Aligned interests	Rental income and value appreciation		✓ Asset owner and leased to, or managed by a third party
Hotel operation	✓	Ensure consistency of brand standards and guest service levels are maintained throughout the estate	Net operating profit from rooms, food & beverage	✓ Asset operated under operational lease agreement	
Hotel management	✓		Fee-based income as a % of revenue and profit	✓ Management agreement to earn a fee-based income as a % of revenue and profit	
Brand	✓			✓ Franchise agreement (or the usage of a brand, income as a % of revenue)	
Asset management	✓	Optimise timing to refurbish and reposition	Value gains		
Extracting value	✓	(Re)finance with asset backing to extract value	Source for funding future growth		✓ Sale of asset
Reinvestment / cash recycling	✓	Reinvest extracted cash to enable further growth			

STRATEGIC REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS
APPENDICES

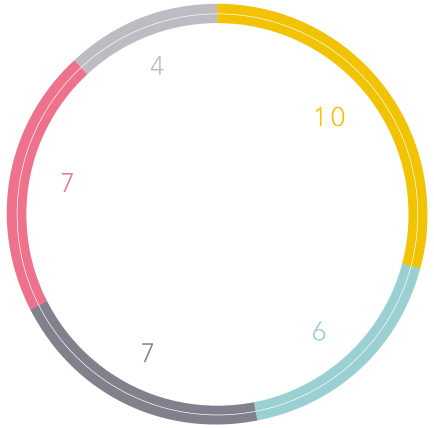
We are an integrated hospitality real estate group with a **£1.8bn portfolio** of primarily prime freehold and long-leasehold assets in Europe

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



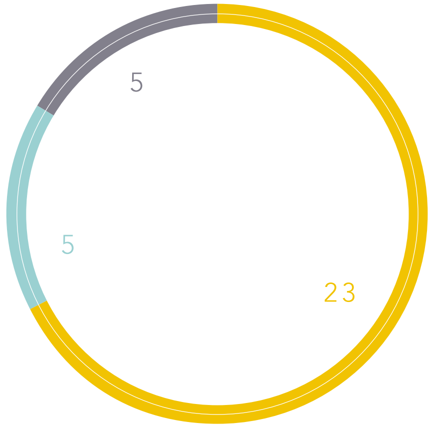
- United Kingdom
- The Netherlands
- Germany
- Croatia
- Other
- Under development[2]

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



- United Kingdom **10** hotels, **3,681** rooms
- The Netherlands **6** hotels, **1,073** rooms
- Germany **7** hotels, **1,106** rooms
- Croatia **7** hotels, **6** resorts, **2,769** rooms
- Other **4** hotels, **498** rooms

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



- Freehold **23** hotels **7** resorts **6,527** rooms
- Long leasehold **5** hotels **1,590** rooms
- Managed, operated, leased or franchised **5** hotels **1,010** rooms

1 The fair values were determined on the basis of independent external valuations prepared in December 2021
2 Properties under development include: New York, art'otel London Hoxton (London), Westminster Bridge Road (London), Hotel Brioni (Pula) and Zagreb

at a glance

Countries	Total rooms
8	9,100
Total properties	**Campsite pitches**
48	5,800

Gateway cities

London

With a portfolio of seven hotels and approximately 3,200 rooms in operation and another 1,100 rooms at various stages of development, the UK's capital is the Group's most important single market. From London's highly popular South Bank to urban chic Marylebone, from hipster Hoxton to the well-connected Victoria and Park Royal areas, our hotels are located in highly desirable and easily accessible locations.

Rome

We are thrilled to be entering Italy, with our acquisition in 2021 of the historic Londra & Cargill hotel in the centre of Rome. Located near Via Veneto and within walking distance of some of Rome's main attractions, this hotel will be completely transformed and will become the first art'otel in Italy.

Amsterdam

Our portfolio in the Dutch capital is strong with three hotels in the city centre and one hotel located near Amsterdam Airport. Our portfolio includes Park Plaza Victoria Amsterdam, which is located opposite the main train station and is arguably one of the best-known hotels in The Netherlands due to its rich history, and its bold, colourful and artistic neighbour, the award-winning art'otel Amsterdam.

Berlin

We have four hotels in the buzzing German capital, including two properties in the former East Berlin (Mitte), close to the Brandenburg Gate, Tiergarten, Museum Island and cafés and shops. Our other two hotels are located in the west of the city near the famous Kurfürstendamm, which is often considered the Champs-Élysées of Berlin and is lined with shops and restaurants.

Pula

Pula, home to Istria's main international airport, serves each year as the starting point for many holidaymakers. Pula is a popular leisure destination and is not only steeped in Roman history, it provides easy access to historic sites, pristine nature and an appealing coastline. Our portfolio in and around Pula includes 21 properties, from campsites to luxury glamping and from self-catering apartments to premium full-service resorts.

Zagreb

With our strong presence in and around Pula, we were keen to secure a property in the Croatian capital and further build our property portfolio in key capital cities in the Central and Eastern Europe (CEE) region, adding to our hotels in Belgrade and Budapest. We are currently converting a former office building in the heart of Zagreb into the country's first art'otel.

Budapest

One of Eastern Europe's first design hotels when it first opened, our art'otel Budapest is located on the banks of the Danube providing stunning views and easy access to the city's main attractions. The building combines several historic former fishermen's houses with a new frontage. During 2022 the hotel will undergo an extensive renovation programme, aligning its offering with the new generation art'otels.

Our brands

art'otel

HOTELS — CAPITAL CITIES / SECONDARY CITIES / CITY CENTRE


art'otel London Hoxton


art'otel London Battersea Power Station

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.

The art
art'otel is an arts and premium lifestyle hotel devoted to creating and presenting original work. Unlike hotels with décor art, art'otel invites guests to create art, to interact with and immerse themselves in art, not just to view.

The art'otel experience:

- Each art'otel is inspired by a dedicated signature artist.
- Interactive art discovery programme with contemporary art, frequent exhibitions and hosted art tours for creative escapists.
- Rich, art-led events programme celebrating arts, fashion and music for cultural explorers.

New developments
art'otel has several exciting new developments in its pipeline, including two flagship developments in London. art'otel London Battersea Power Station is expected to open in 2022 and art'otel London Hoxton in 2024. Plans are also advanced to convert hotels in Rome, Zagreb and Pula. Signature artists for these developments are yet to be revealed.

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

PARK PLAZA

HOTELS — CAPITAL CITIES / SECONDARY CITIES / CITY CENTRE


Park Plaza Vondelpark, Amsterdam


Park Plaza London Riverbank


Park Plaza Westminster Bridge London

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. We present a wide choice of travel destinations and accommodation options, from vibrant city-centre hotels to tranquil beachside resorts, all united by authentic service and modern, inviting spaces.

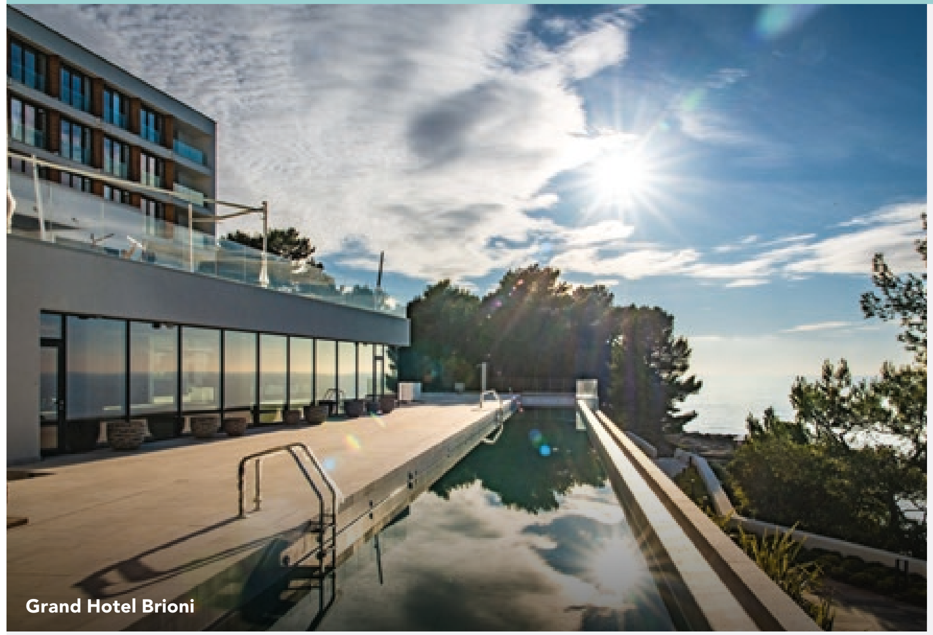
Authenticity is at the heart of Park Plaza. We believe in providing a hotel experience that is tailored to the individual and their needs. Our commitment to originality gives each guest a real experience, all against the elegant backdrop of a modern space with leading design. We pride ourselves on delivering comfort, impeccable service and the chance to explore a destination like the locals do through one-of-a-kind dining experiences. Guests cherish our warm and vibrant atmosphere, often coupled with live music and entertainment.

Feel the authentic
parkplaza.com

Our brands
continued

ARENA HOTELS & APARTMENTS

LEISURE AND OUTDOOR — RESORTS / CAMPING & GLAMPING / SELF-CATERING

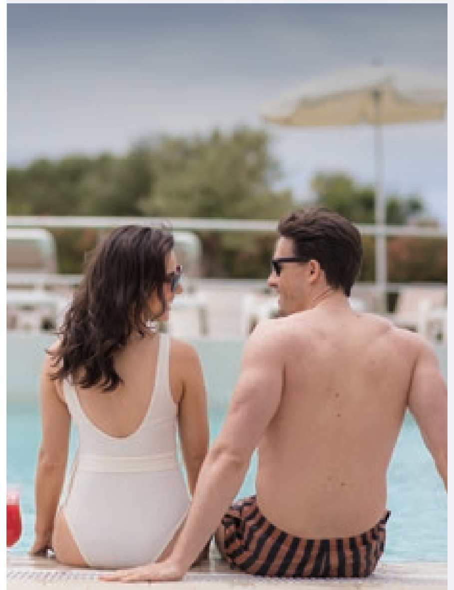

Grand Hotel Brioni

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.

Arena Hotels & Apartments is your destination host and guide, a home away from home catering for families, couples and friends.

arenahotels.com



ARENA CAMPSITES

LEISURE AND OUTDOOR — RESORTS / CAMPING & GLAMPING / SELF-CATERING

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 from April to October.

We have consistently invested in the portfolio, with significant investments in repositioning two campsites between 2018 and 2020, relaunching as Arena One 99 Glamping and Arena Grand Kažela Campsite.

We are excited about our third repositioning of, and investment in, Arena Stoja Campsite.

arenacampsites.com
arenaglamping.com


Arena One 99 Glamping


Camping Home Next - Arena Kažela

Chairman's statement

Eli Papouchado Chairman

Adapting to new challenges
Reflecting on 2021, I am very humbled by the adaptability, skill and dedication of our teams across the business. Their hard work during the last two years has aided the Group immensely in navigating through the most difficult trading conditions ever seen in our industry.
Despite these unprecedented trading conditions progress has been made against our strategic priorities.

Many of our teams have had to work hard to rebuild momentum following extended periods of government-financed support, such as furlough, but they have come together stronger than ever, continuing to welcome our guests where we can and with the best safety and customer service possible. Our Executive Leadership in particular voluntarily signed up to a number of salary sacrifice schemes, deferments and waiver of incentives throughout 2020 and 2021. I would like to place on record my gratitude for our teams and leadership's support, commitment and exceptional efforts during these difficult times.

PPHE has continued to make strong progress throughout the year, and we are proud that the value of our property portfolio now stands at £1.8 billion. Our £200+ million pipeline is robust and includes flagship developments such as art'otel London Hoxton and Grand Hotel Brioni Pula, alongside repositioning projects in Croatia and Italy. There will be many great openings to watch out for over the next few years which we are very excited for, and our long-term partnership with Clal Insurance ("Clal"), which unlocked £113.7 million of equity, has enabled us to pursue further strategic growth opportunities and will continue to do so as the pandemic subsides.

Delivering for all stakeholders
We recognise the unique but vital role that each of our stakeholders plays in the Group's success. As such, creating and delivering value for their benefit is the driving force in all that we do. This is visible in: our passion for creating memorable guest experiences; our commitment to maintaining an open and constructive dialogue with investors; our prioritisation of the well-being and development of our team members; and our willingness to serve the communities in which we operate. I was pleased to see the progress made in our stakeholder engagement activities over the course of the year, particularly the active dialogue maintained with representatives of independent shareholders in order to remain guided by their views and allowing us to adapt our approach wherever possible in response.

The maintenance of a robust governance framework is key to the delivery of long-term sustainable value and has been crucial to navigating the circumstances of the pandemic as well as the recovery process. 2021 saw us make a number of important strides in corporate governance, including establishing a designated Environmental, Social and Governance (ESG) Committee to add necessary rigour and structure to the manner in which we deliver our governance goals and delivering our first Task Force on Climate-related Financial Disclosures (TCFD) Report, which we welcomed as an opportunity for meaningful and structured engagement with the risks and opportunities presented by climate change, as well as an advisory vote to shareholders on the Remuneration Report included in the financial statements and the Remuneration Policy applicable as of 2022. The Deputy Chairman spearheads our corporate governance strategy, and full details of our activities this year are set out in his statement on pages 90 to 135.

Dividend
Having suspended dividend payments in light of ongoing uncertainty due to COVID-19, we have continued to review our policy in line with business performance and cash flow. Government measures have continued to restrict travel demand and the Group has subsequently received government support during the year across its different operating regions. The Board is therefore of the view that it is neither sustainable nor appropriate to propose a dividend in respect of 2021. The Board appreciates the importance of dividends and will continue to review any future dividend payments in line with the recovery trajectory and the business returning to cash flow positive trading.

Looking ahead
We were heartened to see momentum return to the business from May 2021 onwards, as many of our markets opened up, albeit with a few restrictions, and international travel resumed. During this period, it was clear that demand for our high quality, well-located hotels remained strong. The emergence of the Omicron variant in November resulted in new measures being introduced and demand declining.

We are well-aware that there will continue to be industry-wide challenges ahead throughout this road to recovery.
While uncertainty will continue as individual markets react to their own evolving situations that cannot be fully predicted, we will continue to deliver on our strategy, opening our doors where we can and delivering the best experience possible for our customers. As vaccination and booster programmes continue to be rolled out in countries all over the world, I expect that our recovery will remain strong, as it was in the UK and Croatia in the second half of this year.

The Board's optimism for the future is founded on our proven ability to recover through challenging times. We are well-placed to continue to outperform the sector whenever and wherever restrictions are eased, as our unique business model, strong financial position, proven management team, superior expertise and exciting development pipeline continue to position us well into 2022 and beyond.

Eli Papouchado
Chairman

PPHE WINS AWARD AS TOP 6 BEST PLACES TO WORK

President and CEO's review

Boris Ivesha President & Chief Executive Officer

"Our recovery is well-underway and we are **regaining momentum.** We are building future value through a pipeline filled with potential."

Throughout 2021, we continued to manage effectively the ongoing challenges presented by the pandemic and the subsequent industry-wide uncertainty and disruption this caused. Once again, our dynamic owner/operator business model gave us the ability to adapt to ever-changing market conditions, underpinned by the Group's strong financial position and our well-invested portfolio following our recent £100+ million investment programme. The Group is well-positioned to benefit from market recovery.

2021 in review

Trading in the year was challenging in the first six months as the ongoing pandemic severely reduced activity levels due to government-imposed domestic and international travel restrictions and social-distancing measures. Consequently, most of the Group's properties were temporarily closed or operating at reduced capacity.

During Q2, travel restrictions were progressively eased across the Group's operating markets, to varying degrees and at varying times. From mid-May in the UK and from June in Continental Europe, activity increased gradually, driven primarily by leisure demand from domestic markets with bookings characterised by short lead times. By the end of Q2, the majority of the Group's properties were open.

With vaccination programmes across all our operating markets firmly underway in the second half of the year, international travel restrictions were eased, supported by widespread lateral flow and PCR testing as well as the introduction of vaccination passports across Europe. This led to good trading momentum and revenue generation in the second half of the year, underpinned by a strong performance in the UK and Croatia and our successful room rate-focused strategy. Additionally, the Group benefited from sports events, such as the 2020 UEFA Championships and the Cricket Hundred Series, going ahead. Corporate travel and meetings and events demand continued to grow, and the booking pace improved until mid-November when demand slowed due to the spreading of the Omicron variant. This new variant resulted in governments temporarily introducing measures. Once these are again eased we expect to regain momentum. Against this backdrop, the revenue performance of several of our properties outperformed the market.

The Group's proactive commercial strategy enabled us to secure contracted group business, alongside demand generated by essential stays. Park Plaza Victoria London and Park Plaza London Waterloo operated as UK Government quarantine hotels for part of the year, which supported revenue generation during a period of low demand. Park Plaza Westminster Bridge London was proud to be chosen as the exclusive host hotel for players and support teams of the 2021 Wimbledon Championships.

Throughout this period of uncertainty for the hospitality industry, we took pride in our responsiveness and adaptability to ever-changing market conditions, which include an increasingly pressured labour market. While we are not immune to this well-documented issue, which spans a number of sectors, our continuous focus on being an employer of choice to attract and retain talent has positioned us strongly in the current labour market. Furthermore, our decision pre-pandemic to bring housekeeping services in-house has helped insulate the Group from the disruption to operations caused by these labour shortages. We are delighted that our efforts in this area have been recognised by several industry accolades, and throughout the year, the health and safety of our colleagues, and all stakeholders, have remained our priority.

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

Improved financial performance

The Group's overall financial performance improved year-on-year, reflecting some recovery in activity levels as the year progressed, albeit from a low base. Reported total revenue increased by 38.9% to £141.4 million (2020: £101.8 million) and EBITDA improved to £25.1 million (2020: £(10.1) million), resulting in an EBITDA margin of 17.7% (2020: (9.9)%).

Once again, key operating metrics were impacted by property closures and reduced capacity in the first half of the year, however the Group's rate-focused strategy delivered a year-on-year recovery in average room rate to £117.0 (2020: £105.1), with a more gradual improvement in demand during the year resulting in occupancy of 30.7% (2020: 28.0%). RevPAR increased by 22.1% to £35.9 (2020: £29.4), 34.6% of the level reported in FY 2019.

The Group's financial position remains strong, with a total consolidated cash balance of £136.8 million at 31 December 2021 (31 December 2020: £114.2 million).

Our property portfolio was predominantly valued by Savills and Zane at £1.8 billion as at 31 December 2021. EPRA NRV per share increased by 0.3% to £22.15 per share. The adjusted EPRA earnings per share was (44) pence (2020: (123) pence).

Full details of the financial performance are set out in the Financial Review.

Delivering strategic progress

Throughout 2021 we made good progress against the Group's long-term growth strategy while continuing to navigate the ongoing disruption to operations. The flexibility that our owner/operator model provides enables the Board to take a long-term view and gives us control over the scope and phasing of our £200+ million development pipeline and investment projects.

This development pipeline underpins long-term sustainable growth. Our long-term partnership with Clal, announced earlier in the year, has unlocked equity to give the Group further financial headroom to capitalise on growth opportunities to the benefit of all stakeholders, as well as support our recovery.

Development pipeline update

In the UK, construction of the new art'otel London Hoxton, our largest development project, continued to plan. The new building which will comprise a premium lifestyle hotel and office space is expected to complete by 2024.

art'otel London Battersea Power Station, which is to be operated by the Group under a long-term management agreement, is expected to open during the second half of 2022.

Two further projects are planned in London: a mixed-use scheme including a 465-room hotel adjacent to Park Plaza London Park Royal; and a mixed-use scheme including a 186-room hotel and office space close to our London South Bank hotels.

President and CEO's review continued

RESTAURANTS AND BARS

Arca Amsterdam

In Croatia, the repositioning of Hotel Brioni in Pula is almost complete. This 227-room, full-service hotel is expected to relaunch for the 2022 summer season. In Q4, works started on the conversion of the Group's property in the centre of Zagreb into a luxury hotel.

As previously announced, we took the decision in 2020 to pause and reassess our development project in New York City.

New hotel acquisitions
In Q4, we announced two strategic acquisitions which have strengthened our pipeline, expanded our presence in Europe and marked our entry into two new and exciting markets: Austria and Italy.

We acquired the FRANZ Ferdinand Mountain Resort in Nassfeld, Austria, a strategic fit that complements our summer leisure business in Central and Eastern Europe and the DACH region. This acquisition also builds on the seasonal synergies which can be achieved due to the hotel's proximity to our Croatian operations. In addition, Austria is one of the Group's largest customer markets for our Croatian operations, and this hotel will help us further raise the Group's profile in this important market.

The city of Rome is one of southern Europe's key gateway cities and has been a strategic target for the Group. The acquisition in November of a 4-star, 101-room property adds another key capital city to our portfolio. The site provides the opportunity to reposition the property and further bolster our development pipeline.

Further details about our development pipeline projects and acquisitions are outlined on pages 42 and 43.

Our partnership with Radisson Hotel Group
For more than two decades, PPHE Hotel Group has had an exclusive perpetual licence from Radisson Hotel Group ("Radisson"), which gives the Group the right to develop and operate Park Plaza branded hotels and resorts in Europe, the Middle East and Africa. Radisson is part of the world's second largest hotel group by number of rooms. This strategic partnership gives the Group (including its wholly owned art'otel brand) access to Radisson's state-of-the-art central reservation and global distribution systems, its global sales and marketing capabilities, and more than 24 million loyalty programme members.

Employer of choice
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. As well as developing this culture, a key focus has been safeguarding the well-being of our team members throughout the pandemic.

We recognise the importance of a strong employer brand, particularly in the current recruitment environment, and we have a strong track record of investing in our team members to attract and retain talent. Ongoing investment in the development of new technologies to facilitate people management, learning and development, communications, and data and analytics, coupled with our values, strong culture and industry-leading people initiatives, further strengthen the Group's position for recruitment.

Industry wide, recruitment has become increasingly challenging across all our operating markets. We have proactively enhanced our recruitment approach to enable the Group to stand out from the competition. We have bolstered our talent management and recruitment teams to ensure we retain talent and recruit new team members. Our recruitment strategy is centred around talent and brand attraction, promotion of PPHE Hotel Group as an employer of choice, showcasing the Company's culture, and targeting candidates via LinkedIn and other social media and online platforms. We have ensured that our pay rates remain competitive, and we have introduced retention bonuses and have relaunched our 'recommend a friend' incentive scheme, through which more than 125 people have joined the Group in the UK and The Netherlands.

During the year, we recruited more than 1,350 team members across the Group. In London, we have launched our own centralised recruitment service and we have strengthened our partnerships with local job centres. In the CEE region, we have benefited from our ability to share team member resources across our countries of operation.

'Best Employer in Hospitality' and other industry recognition
We are proud that our ongoing investment in our people has been recognised through a number of awards during the year: 'Best Employer in Hospitality' award and 'Top-6 Best Places to Work in Hospitality' by leading UK hospitality trade publication The Caterer; winner of the 'Best Management Preparation Award' at the HR in Hospitality Awards 2021; and our team was voted 'HR team of the Year' at the HR in Hospitality Awards 2021. Additionally, in Croatia, the Group's subsidiary Arena Hospitality Group d.d. ("Arena") was awarded the national 'Safe Stay in Croatia' label.

In addition to recognition of our business, we were delighted that a number of our people were identified for their talent, excellence and contribution. This included Chief Corporate & Legal Officer Inbar Zilberman, who was featured in 'Women to Watch and Role Models for Inclusion in Hospitality'; Daniel Pedreschi, Regional Vice President Operations, the UK, was awarded the coveted Hotelier of the Year at the 2021 Hotel Cateys; and Park Plaza Westminster Bridge London's Executive Chef Oliver Ruiz won the Hotel Chef of the Year (more than 250 covers) Award at the 2021 Hotel Cateys, a huge achievement against strong competition.

Committed to creating a memorable guest experience
We are committed to creating memorable experiences for all our guests, underpinned by our high quality, well-invested portfolio of properties in desirable locations. Our guest safety and well-being programmes were once again accredited by SGS, a leading inspection, verification, testing and certification company.

We have continued to adapt our offer, and the way we engage with our guests has evolved, with an acceleration in digitalisation trends during the pandemic. Digital services and dedicated Apps for Park Plaza and art'otel offer guests reduced person-to-person contact during their stay. These technologies enable guests to check-in online and have a digital room key via their smartphone. Guests also receive a pre-arrival email with ancillary services to personalise their stays, including room upgrades, early check-in and late check-outs, breakfast and dinner options or special amenities. During their stay, real-time messaging options through chat or WhatsApp enable guests to communicate with our team members, and they are able to order room service online. Contactless check-out and various new payment options are available on departure.

Our team members
2021 has been another challenging year for our team members. We have stayed connected with our team members to support their well-being, training and career development. The internal communications initiatives we have put in place during the pandemic, including re-boarding colleagues as hotels reopened and enhanced learning and development programmes, have helped drive engagement and loyalty and have helped us nurture and support our teams.

On behalf of the Board, I would like to thank all our team members for their commitment, professionalism and hard work throughout the year.

Strategy update
During 2021 we refined our strategy, intended to guide us through our next phase of growth by continuing to do what we do well, taking advantage of opportunities and continuing to mitigate risks through further diversification. Our aim is to continue to focus on upper upscale city centre and lifestyle hotels and continue our investment in our leisure and outdoor offering. In addition, we recognise that our award-winning hospitality management platform presents an excellent growth opportunity through managing hospitality assets for our joint venture partners and third-party owners.

Looking ahead
As we have demonstrated throughout the pandemic, as soon as measures are eased we are able to capitalise on travel demand, which at the early stage is predominantly driven by domestic leisure travel. The New Year started with restrictions and lockdown measures in place across all our operating regions. However, with the impact of the Omicron variant on hospitalisation rates less significant than initially feared late in 2021, governments started easing measures in January, which immediately resulted in an increase in new bookings. In the UK, our most important market, new bookings are currently trending at 65% of the levels in 2019. We have also seen an increase in international bookings as travelling between countries has become easier. We expect these trends to continue and are confident that in addition to leisure travel, we will shortly see a return of corporate travel with the 'working-from-home' guidance now removed across most of our operating regions. The number of new meetings and events enquiries has remained solid throughout and we expect a particularly buoyant second half of 2022 in this segment.

Our well-invested portfolio, our proactive leadership team and our dedicated and passionate team members will drive our recovery as we prepare for the next phase of growth with several exciting new openings this year and next.

Boris Ivesha
President & Chief Executive Officer

Business model

OUR PURPOSE

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

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.

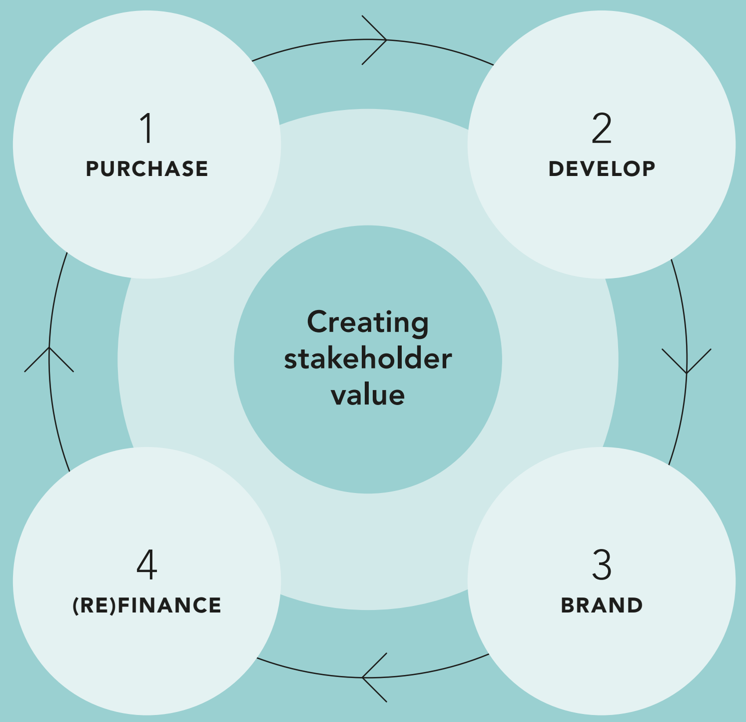
Our people
Our strong track record of creating memorable guest experiences is consistently delivered by our team members.

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 £1.8 billion portfolio without diluting shareholders, and we enjoy a strong cash position.

HOW WE CREATE SHAREHOLDER VALUE



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

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

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

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

HOW WE CREATE VALUE

STRATEGIC BLOCKS

- Core, upper upscale, city-centre hotels
- Leisure and outdoor hospitality
- Hospitality management platform

REAL ESTATE

THE VALUE WE SHARE

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

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

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

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

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

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

UNDERPINNED BY OUR PEOPLE, VALUES AND CULTURE

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

- Trust
- Respect
- Teamwork
- Enthusiasm
- Commitment
- Care

Strategy at a glance

STRATEGIC BLOCKS → **2021 PERFORMANCE** → **2022 PRIORITIES** → **RELATED RISKS AND OPPORTUNITIES** → **KPIs**

REAL ESTATE

Core, upper upscale, city-centre hotels

2021 PERFORMANCE

Property:

- Progressed investments in pipeline projects, including art'otel London Hoxton and Zagreb
- Extended pipeline with acquisition in Rome, Italy
- Submitted 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 majority of portfolio post lockdowns
- Revenue generation focus, balancing contracted business with driving top line growth from leisure travel
- Reengaged and rebuilt teams

2022 PRIORITIES

Property:

- Progress development projects in London and Zagreb
- CAPEX allocation for repositioning programmes in Zagreb, Rome and Budapest
- 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

RELATED RISKS AND OPPORTUNITIES

Property:

- Development project delivery page 31
- Funding and liquidity page 30
- ESG – stakeholder perception page 34

Operations:

- Talent attraction, engagement and retention page 33
- Market dynamics page 29
- Economic climate page 30
- Operational disruption page 32
- Technology disruption page 32

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

Leisure and outdoor hospitality

2021 PERFORMANCE

Property:

- Progressed investments in pipeline projects most notably Grand Hotel Brioni Pula
- Extended pipeline with acquisition in Nassfeld, Austria

Operations:

- Reopened majority of portfolio post lockdowns
- Revenue generation focus, delivering a strong summer season in Croatia
- Reengaged and rebuilt teams
- Integrated new property in Nassfeld, Austria

2022 PRIORITIES

Property:

- Launch Grand Hotel Brioni Pula
- Progress CAPEX investment in third campsite, Arena Stoja
- Start repositioning programmes for hotels in Austria and Pula (Hotel Riviera)
- 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

RELATED RISKS AND OPPORTUNITIES

Property:

- Development project delivery page 31
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- ESG – stakeholder perception page 34

Operations:

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KPIs

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Operations:

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

Hospitality management platform

2021 PERFORMANCE

Operations:

- 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
- 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
- Supported local hospitals and key workers
- Provided education opportunities for local schools and graduates

2022 PRIORITIES

Operations:

- Opening of art'otel London Battersea Power Station, managed by the Group
- Continue to integrate Austria and Italy as new regions for the Group
- 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 development of 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

Operations:

- Market dynamics page 29
- Economic climate page 30
- Talent attraction, engagement and retention page 33
- Operational disruption page 32
- Technology disruption page 32
- Unrestricted cyber attack page 31
- Data privacy page 32
- Health, safety and security page 33
- ESG – stakeholder perception page 34

KPIs

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 approach to risk management

Our embedded and proactive approach to risk management continues to help us navigate the significant challenges we face. Through our risk management process we maintain a clear view of our most prominent threats and look ahead at the emerging risk trends which could have a notable impact on our business. The strength of our risk management programme means leadership decisions are aligned with our risk appetite and are made in full awareness of the threats we face.

The integration of risk management and routine assessments within each corporate function allows us greater information at the leadership level and ensures each function remains alert to risks and is accountable for reporting on them on a regular basis, whether or not their profile has changed.

A solid foundation of risk awareness and focused risk mitigation has underpinned our resilience during the COVID-19 pandemic and supported the proactive response of our teams to the various related risk impacts.

In 2021, our leadership team has maintained its flexible and proactive approach to the challenging risk environment. Key actions during the year have included the strengthening of our cash position, the rebuilding of our teams to meet demand during periods of recovery and upholding the high standards of health and safety within our hotels and resorts.

Our Risk Reward strategy is aligned to our strategic objectives and has been updated and reviewed by the Board during the year. This year we have demonstrated that our appetite for taking new opportunities through acquisitions remains intact. In obtaining Board approval for acquisitions or development projects, the capacity of management to manage or deliver the project and the impact on the financial stability of the Group are both key areas of focus.

We are not willing to increase our exposure in matters of environmental and climate related risk, and we are committed to tackling the risks associated with the transition to a low-carbon economy.

This year we have looked in greater depth at various climate related risk scenarios to identify and assess the key threats to our long-term objectives.

See our TCFD Report on Page 88.

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 CHANGING ENVIRONMENT – RISK DRIVERS AND EMERGING THREATS

We recognise the importance of understanding the lasting impacts of major events such as the COVID-19 pandemic and Brexit, as well as emerging threats like climate change, economic volatility and political instability, to ensure we maintain our organisational and strategic resilience in the years ahead.

Our business model and operations could be influenced by many external developments including post Brexit changes to the UK regulatory environment, potential changes in tax legislation, long-term shifts in consumer behaviours following the pandemic, labour market pressures through restricted migration, growing pressure on the cost of living and an increased threat to social cohesion across our regions and markets.

We will respond proactively to the changing business environment by focusing on our strategic pillars such as the diversification of our property portfolio, our people and culture, guest satisfaction and our ESG credentials.

Global disruption

The COVID-19 pandemic has been the biggest risk event we have experienced, and there is potential for further global or regional disruption through new waves or variants of the virus emerging.

The future direction of the pandemic will determine the severity of our exposure to many of our principal risks. Global travel restrictions have a significant impact on market demand and economic growth. We could see further disruption through restrictions imposed on our hotel operations or through supply chain issues and labour shortages.

Other global conditions such as the conflict in Eastern Europe could also disrupt some of our markets through restricted travel and dampened demand. As events unfold, the Board will continue to monitor the impact.

We have proven our resilience in the face of COVID-19, and we are well-prepared for future disruption, with robust plans in place to address heightened risk and protect the stability and future growth potential of our business.

Macro-economic volatility

Volatility of the long-term economic outlook will also influence our assessment of risk in the year ahead. Changing macro-economic conditions with inflationary pressure and slowing growth could impact the speed of recovery for the hospitality sector and affect the accessibility of finance to fund future opportunities.

We take a proactive approach to monitoring macro-economic factors and act to ensure we are well-positioned to withstand times of stress and maximise our opportunities as conditions improve.

Climate change

The impact of climate change will emerge through risks that we are already exposed to. Increasing physical risks such as flooding, water stress and rising mean temperatures across our regions would heighten our principal risk of operational disruption and could increase costs.

The global response to climate change could drive changes in our market over the long term. Carbon pricing and taxes could see the cost of international travel increase which may impact travel patterns from certain market segments. Our guests' increased awareness and concern regarding their individual environmental footprint could also impact market dynamics, presenting as both a risk and an opportunity as more booking decisions would be influenced by environmental credentials. This will also be increasingly important for securing corporate contracts and new meetings and events business with many organisations acting to deliver upon net-zero carbon pledges.

Several of our principal risks could be exacerbated by government commitments to reduce carbon emissions which could lead to further developments and changes in regulation across travel and tourism, construction and property management. Funding could also become increasingly difficult to secure as banks increase scrutiny on the environmental credentials and carbon impact of a business as part of their lending process.

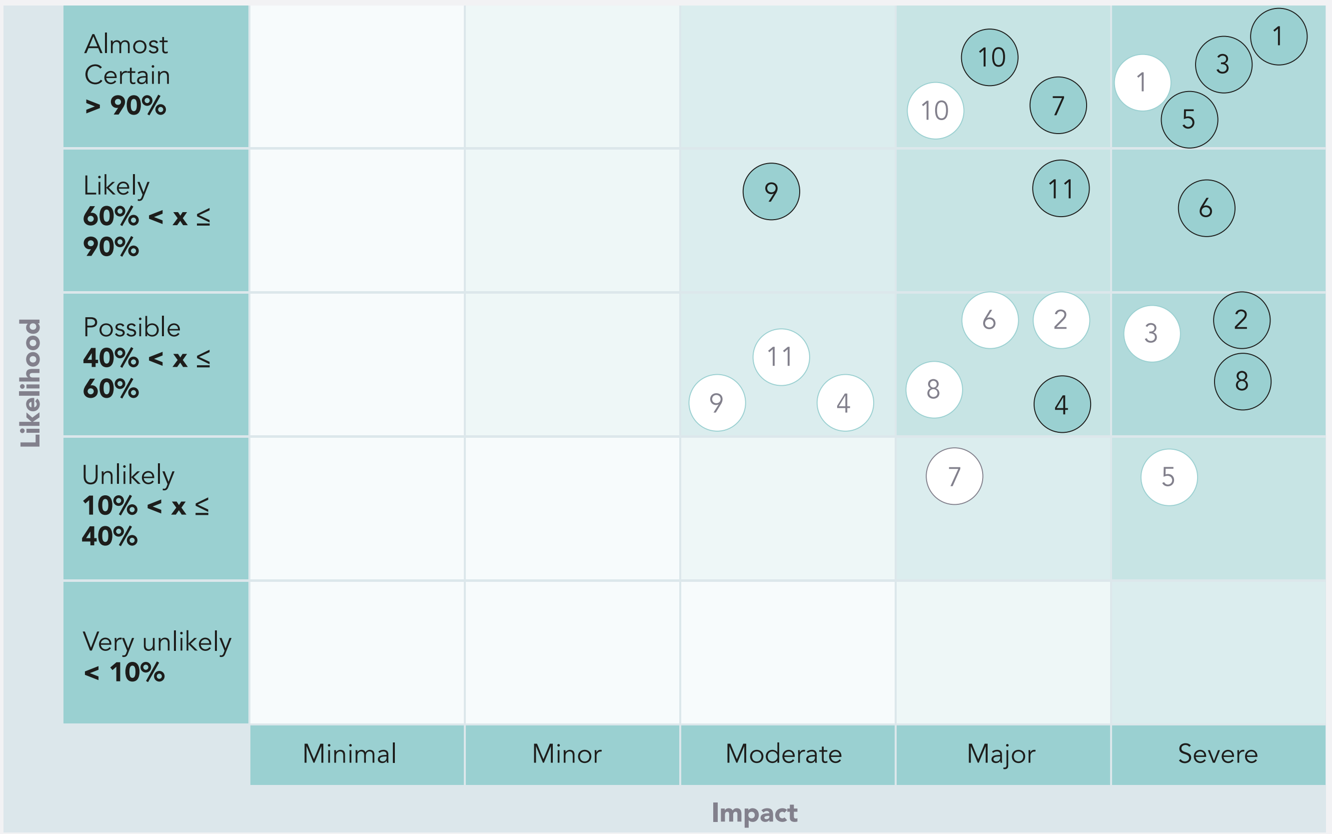
This year we have performed scenario analysis to improve our understanding of the various physical and transition risks we face in respect of climate change as well as any associated opportunities. The analysis considered short, medium and long-term threats under three potential scenarios for average temperature increases which are used to assess the risks and to plan and prioritise any associated mitigating activity.

See our TCFD Report on pages 87 to 89.

With increasing scrutiny on environmental matters from investors, customers and partners, this year we have included a new principal risk regarding stakeholder perception of the Group in respect of ESG matters.

Principal risks and uncertainties

Our residual 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. This risk map shows our assessment of each area of principal risk before and after risk mitigation.



Inherent risk
Residual risk

1 Market dynamics
2 Economic climate
3 Funding and Liquidity
4 Development project delivery
5 Unrestricted cyber attack
6 Data privacy
7 Technology disruption
8 Operational disruption
9 Health, safety and security
10 Talent attraction, engagement and retention
11 ESG – stakeholder perception

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

Movement from last year

Increased · Reduced · No change · NEW Newly reported

Strategic blocks

1. Core, upper upscale 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 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

MARKET AND MACRO-ECONOMIC ENVIRONMENT

Principal risk description

Market dynamics – significant and prolonged decline in global travel and market demand

Further waves of COVID-19 with new variants could continue to impact the hospitality sector and hinder our recovery to pre-pandemic levels of revenue and profitability.

There is likely to be continued uncertainty in demand with continued trends of late bookings and late cancellations, increasing the challenge to forecast accurately and manage costs effectively.

Related strategic blocks, pillars and enablers:

1 2 3 4 9

Risk response and actions for 2022

How we mitigate and respond to this risk

We have demonstrated our ability to adapt quickly to changing market conditions throughout the COVID-19 pandemic by identifying new opportunities for revenue generation and focusing on delivering the highest standards to our guests.

In the year ahead we will continue to monitor closely and anticipate changes in market dynamics to ensure we remain prepared and respond quickly.

We will do the following:

- Maintain an agile approach to revenue management and marketing tactics, adapting quickly to changes in the market.
- Introduce new leisure and domestic focused promotional initiatives and leverage our partnerships for distribution and marketing.
- Price test in line with demand and the wider markets.
- Continue our close collaboration with Radisson Hotel Group and leverage their reach for promotional campaigns.
- Seek opportunities to add new contracted business and consider potential bespoke agreements during times of operational restrictions, e.g. government support, quarantine hotels, NHS contracts, 'bubble' hotels for major events.
- Drive consistent brand standards across all of our properties.
- Monitor and analyse customer feedback to identify issues quickly and improve operations.
- Drive use of our digital and contactless services such as online check-in/check-out, digital key, online food ordering and real-time messaging.
- Maintain team member levels to the appropriate scale for the trading environment and flex our costs based on business levels.
- Continue to secure SGS accreditation for cleanliness and disinfection, supported with our own programme of brand audits across all hotels.

Residual risk

Very high

No change

Our approach to risk management
continued

MARKET AND MACRO-ECONOMIC ENVIRONMENT CONTINUED

Principal risk description	Risk response and actions for 2022	Residual risk
Economic climate – adverse macro-economic conditions The macro-economic environment is expected to remain volatile in 2022, with slowing growth, global supply chain issues, labour shortages, energy price increases, other inflationary pressures and potential interest rate rises. A prolonged period of stress for the global economy could contribute to reduced demand and increased costs, impacting our ability to protect our revenue and profitability. **Related strategic blocks, pillars and enablers:** 3 5 6	**How we mitigate and respond to this risk** Although this external threat remains significant, we have reduced the overall assessment of the risk compared to last year due to several factors including our financial stability and strong cash position, our leaner operating model and our properties holding their value. We have built our resilience to both economic and market forces through the following: – Cash preservation and scenario stress testing. – Profit protection plans (with operational impact assessed). – Budgetary control and frequent forecasting across all regions and property types. – Regular open/closed scenario analysis to support informed decisions during the COVID-19 pandemic. – An adapted business model with more centralised processes to reduce fixed costs where possible. – Benchmarking and verification of market pricing in respect of our supply chain and a policy of sourcing locally where possible. – Process automation and investment in IT to gain efficiencies.	High ↓

FUNDING AND INVESTMENT

Principal risk description	Risk response and actions for 2022	Residual risk
Funding and liquidity – risk of breaching debt covenants, an inability to service existing debt and cash restrictions The ongoing disruption caused by COVID-19 means that funding and liquidity risk will remain a significant risk in the year ahead. The impact of failing to manage this threat proactively would be severe, including an increased risk of cash traps being applied to hotel-specific loans. The cost of debt is likely to be under increasing pressure in the year ahead with economic conditions potentially leading to interest rate rises. **Related strategic blocks, pillars and enablers:** 5	**How we mitigate and respond to this risk** The risk of breaching debt covenants remains very high due to suppressed revenues caused by the ongoing disruption of COVID-19. By maintaining strong relations with our lenders we have continued to mitigate the threat through securing extended debt covenant waivers. We also strengthened our cash position during the year when we entered into a long-term partnership with Clal Insurance in respect of Park Plaza London Riverbank and art'otel London Hoxton. Our key mitigating actions and controls include the following: – Monthly forward covenant testing with sensitivity and stress modelling. – Agreed debt covenant waiver extensions with lenders to 2023. – 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 actions and the controls we implement have contained the funding and liquidity risk, but it will remain a priority while the COVID-19 pandemic continues to impact our performance. The speed at which the hospitality sector can return to more normal trading conditions will determine the longevity of this threat to our business.	Very high ↔

FUNDING AND INVESTMENT CONTINUED

Principal risk description	Risk response and actions for 2022	Residual risk
Development project delivery – disruption to projects causing delays or unforeseen cost increases Global supply chain concerns and a challenging labour market driven by both Brexit and the COVID-19 pandemic could result in potential increases in our development project costs or impact the timeline for project delivery. **Related strategic blocks, pillars and enablers:** 1 2 9	**How we mitigate and respond to this risk** Although this remains an area of risk requiring close attention we have reduced the overall assessment to 'Medium' with good progress made in 2021 and pricing largely fixed for key projects. Our senior leadership team oversees the progress of all key development projects, supported by our in-house Technical Services team, by closely monitoring project timelines and costs, holding regular meetings with our key contractors to identify and tackle any approaching issues which could impact the overall cost, targeted delivery schedule or the expected quality standards.	Medium ↓

TECHNOLOGY AND INFORMATION SECURITY

Principal risk description	Risk response and actions for 2022	Residual risk
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	**How we mitigate and respond to this risk** As cyber security incidents such as ransomware attacks continue to be a significant threat, we are focused on strengthening our defences and response mechanisms to provide us with suitable levels of protection. During the year we introduced enhanced security controls, new threat management tools and improved disaster recovery procedures which led to a slight reduction in our overall assessment of this risk. Our mitigating actions include the following: – Implementation of a new threat management solution. – Team member awareness training. – 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. – Phishing security tests. – Identity Access Management tool. – Development of Disaster Recovery procedures and Business Continuity Plans for key applications.	High ↓

Our approach to risk management
continued

TECHNOLOGY AND INFORMATION SECURITY CONTINUED

Principal risk description	Risk response and actions for 2022	Residual risk
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	**How we mitigate and respond to this risk** Our mitigating controls reduce the likelihood of a large-scale data privacy breach, and our processes ensure any incidents are dealt with in compliance with the GDPR. Our controls include the following: – Information Security and Data Privacy policies. – Internal awareness communications and training. – Breach protocols, reporting hotlines for team members and incident response plans. – Use of third-party experts for technical support when necessary. – Credit card tokenisation through our payment systems. – Enhanced technology controls – see Cyber threat risk. – Process improvements to reduce the threat of data fraud.	High
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	**How we mitigate and respond to this risk** The fast-changing digital landscape and rapid roll out of new technologies within our business during 2021 mean that the risk of disruption from technology failures remains an area of focus. 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. – Set-up of back-up and disaster recovery site for core infrastructure. – Disaster Recovery and Business Continuity Plans for key business applications. – Roll out of converged networks across our hotels.	Medium

SAFETY & CONTINUITY

Principal risk description	Risk response and actions for 2022	Residual risk
Operational disruption We have experienced significant operational disruption during the COVID-19 pandemic. Other global events such as conflict or environmental disasters could also cause significant disruption. 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, conflict, terrorism. **Related strategic blocks, pillars and enablers:** 3 7 9	**How we mitigate and respond to this risk** The volatile nature of the COVID-19 pandemic continues to disrupt operations with increased team member absence, supply chain pressures and government restrictions changing frequently across our regions. Our overall assessment of the risk sees a slight reduction from our most severe categorisation as we have demonstrated an ability to adapt our business operations in response to new challenges, and our properties have continued to operate effectively through the more recent waves of the pandemic. We continue to manage this threat with the following measures: – Hotel crisis plans and crisis communications. – Hotel lockdown procedures. – Business Continuity Plans. – 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 critical supplies.	High

SAFETY & CONTINUITY CONTINUED

Principal risk description	Risk response and actions for 2022	Residual risk
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	**How we mitigate and respond to this risk** We do not accept any actions which would increase our risk profile in respect of health, safety and security. With the COVID-19 pandemic ongoing we continue to focus on delivering our enhanced health and safety programmes to provide a safe stay for our guests and a safe working environment for our team members. We actively mitigate and respond to this area of risk through the following: – Regular risk assessments. – Security and fire safety procedures. – Health and safety audit programmes including regular COVID-19 related audits and SGS accreditation for cleanliness and disinfection. – In-house and supplier food safety audit programme. – Team member training programmes. – Incident reporting. – Hotel crisis plans. – 'Reassuring Moments' and 'be bold, be creative, be safe' programmes. – COVID-19 incident protocol and centralised tracking of identified cases. – Mental health and well-being 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.	Medium

PEOPLE

Principal risk description	Risk response and actions for 2022	Residual risk
Talent attraction, engagement and retention – challenge of maintaining an engaged and suitably skilled workforce Difficulty in attracting, engaging and retaining team members is a significant matter within the hospitality sector, driven by the impact of both COVID-19 and the reduced availability of labour brought about by Brexit. Tough labour market conditions could drive up costs and potentially disrupt our operational effectiveness. **Related strategic blocks, pillars and enablers:** 3 6 7 9	**How we mitigate and respond to this risk** A challenging labour market is expected to persist in 2022 and will remain an important area of focus. Our proactive approach to mitigate this area of risk includes the following: – Boosting our in-house recruitment team. – Set-up of a new 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. – Exploring opportunities to attract skilled workers from international labour markets. – Multi-skilling existing team members to improve the flexibility of our workforce. – Building a central bank of casual workers available to work across London and Amsterdam properties. – Provision of guaranteed hours for certain roles. – Employee engagement initiatives and retention strategy. – Pulse employee surveys to measure engagement and identify and address any areas of concern. – Increased recognition activity. – Talent reviews. – Learning and development strategy with enhanced online learning content. – Mental health and emotional well-being initiatives. – New onboarding experience.	High

Our approach to risk management continued

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Principal risk description	Risk response and actions for 2022	Residual risk
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. Investors and customers prepare detailed information requests on ESG activities, metrics, targets and performance. We are expected to have detailed knowledge of the ESG performance of our supply chain. Customers and employees cite ESG reputation as a driver of behaviour. A perception that the Group does not apply best practice corporate governance principles, does not suitably mitigate both the physical and transitional 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. **Related strategic blocks, pillars and enablers:** 3 6 7 8	**How we mitigate and respond to this risk** To strengthen our approach to ESG matters and respond to increasing investor focus we have established an ESG Committee to develop, monitor and re-evaluate policies on ESG matters. Our ongoing mitigating activity include the following: – Responsible Business Programme (aligned to Radisson Hotel Group). – Participation in the Radisson Responsible Business Survey. – Externally certified performance against recognised standards, e.g. Green Key. – Climate related risk scenario analysis and reporting (TCFD). – Initiatives to reduce energy consumption in our properties. – Active engagement with investors by CEO, Chair and Senior Independent Director. – Documentation of Governance practices and procedures to ensure compliance with Corporate Governance Code (2018) requirements, or satisfactory explanation thereof. – Deputy Chairman acting as a dedicated workforce representative. – Active monitoring of gender pay gap.	Medium NEW

Viability statement

The COVID-19 pandemic has seen many of our principal risks triggered or heightened. Throughout this period of turmoil, we have prioritised actions and risk responses to focus on protecting the long-term stability of the business. The Group has taken steps to strengthen its liquidity, including waivers of existing covenants on all its credit facilities until 2023 and taking additional £76.8 million of revolving credit facilities, maturing throughout 2023. Furthermore the Group entered into a joint venture transaction on two of its London assets in June 2021, raising £125.8 million additional liquidity.

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

While the vaccine has proven to be effective in reducing the number of hospitalisations and deaths, it is apparent that new strains of the virus continue to hold grip on society and winter restrictions are again reality. The current restrictions are anticipated to be short-term with the western side of the world discussing treating COVID-19 as an endemic illness like the flu. The Group anticipates trading to remain volatile, but it's well-placed to handle short-lead bounce backs of demand. Over the last year the Group's hotels have proven to be excellently positioned to benefit from a recovery, with the majority of its hotels being located in desirable city hubs.

The Group will continue to adapt to market conditions to preserve cash and protect the Group's long-term growth prospects.

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

Since the start of the COVID-19 pandemic multiple cash flow forecasts showing various scenarios have been modelled and reviewed by the Board to provide the basis for strategic actions taken across the business. The Directors have considered detailed cash flow projections for the next three-year period to 31 December 2024 which are constructed on a base case and a downside case basis. The base case assumes a recovery in 2022 with EBITDA levels at approximately 50% of 2019, the 2023 EBITDA at 70% of 2019 and returning to 2019 EBITDA levels in 2024. The downside case assumes EBITDA for 2022 at 25% of 2019, the 2023 EBITDA at 50% of 2019 and returning to 2019 EBITDA levels in 2024.

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

The downside case requires a further extension of covenant waivers. Having reviewed both the base case and downside case, the Directors have determined that the Company is likely to continue in business for the period under review without implementing any further protective measures to the operational structure. Should the pandemic be more severe and give rise to further government lockdowns, the Group's viability will depend on its access to additional liquidity. The joint venture transaction in the past year, whereby the Group raised £125.8 million, shows the ability of the Group to raise large amounts of cash using its balance sheet.

The Board concluded that three years would be an appropriate timeframe over which to assess the Group's longer-term viability, as this period aligns with the assumed recovery period and with the limited levels of planning certainty that can be derived from the current market conditions. The above considerations form the basis of the Board's assessment of the viability of the Group over a three-year period to 31 December 2024 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 2024.

Key performance indicators:
Measuring our progress

FINANCIAL KPIs

Total revenue £m

2021	141.4
2020	101.8
2019	357.7
2018	341.5
2017	325.1

KPI definition

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

Comment

Revenue showed a recovery and increased by 38.9% compared to 2020 due to the reopening of most of the hotels and the uplift of the travel restrictions in the second half of the year. Revenue in 2021 represents 39.5% of the levels reported in 2019.

EBITDAR £m

2021	27.6
2020	(9.1)
2019	124.6
2018	120.7
2017	116.0

KPI definition

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

Comment

EBITDAR which recovered to £27.6 million was mainly generated in the second half of 2021 due to the uplift of the travel restrictions. Operating expenses increased due to the inflation pressure and shortage of workforce however this increase was partially offset by the utilisation of the available Government support schemes throughout the regions.

EBITDA £m

2021	25.1
2020	(10.1)
2019	122.9
2018	113.2
2017	107.3

KPI definition

Earnings before interest, tax, depreciation and amortisation.

Comment

EBITDA which recovered to £25.1 million was mainly generated in the second half of 2021 due to the uplift of the travel restrictions. Operating expenses increased due to the inflation pressure and shortage of workforce however this increase was partially offset by the utilisation of the available Government support schemes throughout the regions.

Normalised profit before tax £m

2021	(47.5)
2020	(89.8)
2019	40.7
2018	37.7
2017	32.1

KPI definition

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

Comment

Normalised profit before tax which improved to a loss of £47.5 million was positively affected by the increase in EBITDA and the decrease in finance costs mainly due to rent waivers received in the period and foreign exchange differences.

Reported earnings per share Pence

2021	(123)
2020	(192)
2019	80
2018	90
2017	57

KPI definition

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

Comment

Reported earnings per share improved to a loss of £1.23 per share in line with the change in profit.

OPERATING KPIs

Occupancy %

2021	30.7
2020	28.0
2019	80.6
2018	79.4
2017	77.3

KPI definition

Total rooms occupied divided by the available rooms.

Comment

Occupancy which was severely impacted by travel restrictions increased by 270 bps year-on-year. The increase in occupancy was notable in the UK and Croaria regions however it decreased in the Netherlands and Germany regions.

Average room rate %

2021	117.0
2020	105.1
2019	128.5
2018	123.1
2017	120.2

KPI definition

Total room revenue divided by the number of rooms sold.

Comment

Average room rate increased by 11.4% and represents 91.1% of 2019 levels. Average room rate increase was notable across all of our operating regions with the exception of Germany.

RevPAR

2021	35.9
2020	29.4
2019	103.6
2018	97.7
2017	92.9

KPI definition

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

Comment

RevPAR increased by 22.1%, in line with the increase in ADR and occupancy.

Employee engagement %

Introduction of pulse surveys	
2020 No surveys conducted	
2019	84.4
2018	83.6
2017	85.4

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 will be changing our measurements to be more regular and topical in the form of pulse surveys.

Comment

Developing a high performing culture, where engaged teams are empowered to create valuable memories for our guests and value for our assets is one of our strategic priorities. During 2021, we have trialled several pulse surveys in the UK and The Netherlands and will be implementing this approach across all operating regions during 2022. From 2022 onwards we will be reporting this new metric. In addition, in the UK many of our team members participated in surveys from The Caterer, the UK's leading hospitality media platform, which contributed to the Group being recognised as the 'Best Employer in Hospitality'.

Guest rating score %

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.

Comment

Improving the overall guest experience through creating valuable memories is one of our strategic priorities. We therefore measure the Guest Rating Score, which is the online reputation score for our properties and which is based on review data collected from many of the world's leading online travel agencies and review sites. The score is calculated by an algorithm that generates a score from 0 to 100. Notwithstanding the lockdown periods, restrictions on travel and various government measures in place, we have continued to deliver a strong guest rating score finishing the year with an 85.5 rating.

PROPERTY KPIs

EPRA NRV per share £

2021	22.15
2020	22.08
2019	25.93
2018	24.57*
2010	6.42*

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

KPI definition

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

Comment

EPRA NRV per share which increased by 0.3% was positively affected by the increase in the revaluation of the properties in operation due to the recovery in the 'business' that was noted in 2021, however it was negatively affected by the loss attributed to shareholder for the year and foreign exchange differences

Adjusted EPRA EPS Pence

2021	(44)
2020	(123)
2019	128
2018	115
2017	104
2010	97

KPI definition

Shareholders' earnings from operational activities 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. The adjusted shareholders' earnings from operational activities are divided by the weighted average number of ordinary shares outstanding during the year.

Comment

Adjusted EPRA earnings per share improved to a loss of 44 pence per share in line with normalised profit before tax.

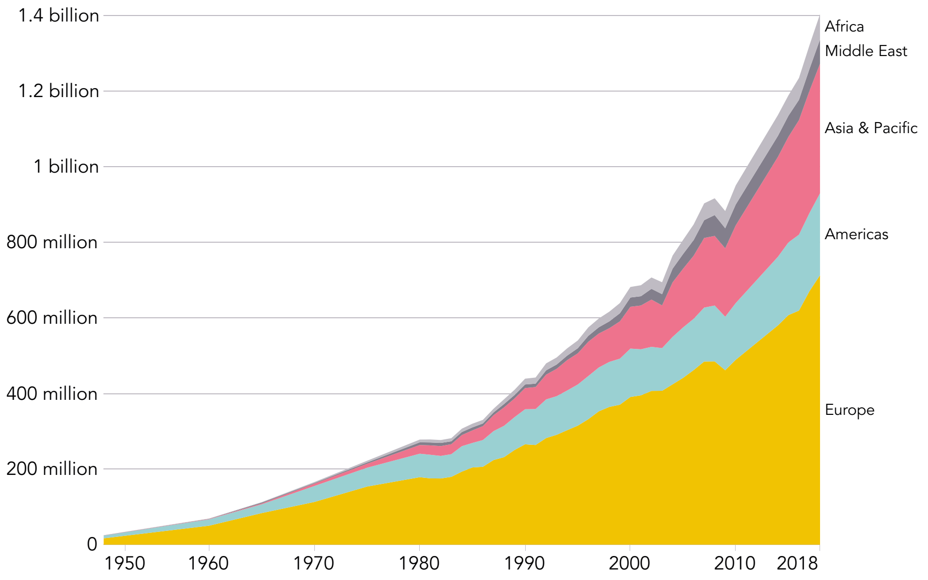
The traveller in 2022

The strong appeal of the European travel market

Notwithstanding the turbulent past two years, we strongly believe in the underlying strength of the European travel market. Prior to COVID-19, European international travel has, apart from some macro-economic glitches, consistently grown since the 1950s.

While there are an increasing number of companies and countries committing to carbon footprint reductions, globalisation is expected to continue and we expect the European travel market to remain strong post COVID-19. Europe represents the greatest inbound tourism market accounting for approximately 50% of all international travel worldwide.

INTERNATIONAL TOURIST ARRIVALS PER YEAR BY REGION



Source: United Nations World Tourism Organization World Tourism Barometer (2019)

ourworldindata.org/tourism

EUROPEAN HOTEL MARKET
WORLD'S STRONGEST INTERNATIONAL HOTEL MARKET

2019 European international tourist arrivals[1]

742.3m

(2010: 487m)

The most visited region:

50.9%

of international arrivals

The biggest region for tourism spend:

€483bn

of international receipts

Strong demand drivers with growing market forecasts

1 UNWTO, January 2020

The changing face of travel and how we adjusted

Throughout history, guest expectations and behaviour have changed consistently, and the past two years during the pandemic have not been an exception. Guests now favour flexibility over lower prices, cleanliness and hygiene have taken centre stage, customers have embraced local and domestic travel and digitisation and automation have progressed substantially.

As owner/operators, we have taken a very proactive stance towards adjusting our offering accordingly accelerating investments in technology and continuously reviewing guest feedback and sentiment.

New target audiences and evolving offerings

The domestic markets were always strong for us in Germany and in the UK but were even more prevalent during the pandemic. For our smaller operating markets, such as The Netherlands and Croatia, neighbouring markets and destinations within driving distance became much more important. As a result, we changed our focus accordingly adjusting our marketing activities, partnering with locally relevant third parties and localising our offering and messaging.

Some of our hotels which usually focus on corporate travellers were now targeting leisure travellers and families, adjusting their services, amenities and messaging to capture prospective customers.

For our meetings and events hotels we introduced hybrid meetings and offered planners flexible booking conditions. In addition, in collaboration with Radisson Hotel Group, we offer carbon neutral meetings.

Operational changes were frequent and in line with changes in government measures, while protecting the guest experience. Our teams have been fully trained in our robust health and safety standards, which were created in partnership with expert consultants, Radisson Hotel Group and accredited by SGS.

Several years ago, we decided to invest in our own housekeeping team (accommodation services) instead of continuing to use third party agencies for these services which is pretty much the norm in the London hospitality market.

It was a bold decision which has proven to be of great benefit during the recovery phase. Our team has shown great flexibility and have worked relentlessly to cope with the returning demand.

Several of our restaurants and bars now offer our guests the opportunity to order online and enjoy our food at their home, through delivery options or collection. These initiatives proved particularly popular during lockdown and to celebrate special occasions.

Listening to our guests' needs

In the second year of the pandemic retaining flexibility and being able to change or cancel reservations was still important for our customers. We have therefore retained very flexible booking conditions for our guests and event planners throughout the period. In addition, recognising the macro uncertainty, Radisson Rewards members have seen their loyalty status extended.

We have further centralised our customer service focused teams, including reservations, customer service and customer experience. We have invested, and are continuing to invest, in robust technology systems which make interactions with our customers easy and frictionless while we also collect valuable insights based on which we can further improve the guest experience.

Digitalisation and automation

A significant change we have seen is the acceleration of digital services in hospitality which we have fully embraced and we have implemented many initiatives across our Group. Our guests now have the choice to completely self-manage and personalise their stay, by using our Apps for online check-in and check-out, using their mobile phone as a digital key, ordering room service online, making swimming pool reservations or asking for that extra pillow through the real-time messaging options we offer such as WhatsApp and chat.

Environmental, social and governance

There are plentiful industry reports on the growing importance of sustainability in the travel and tourism industry for customers and other stakeholders. Having a defined framework of ESG targets enables us to communicate our ambitions and progress made to all stakeholder groups. We also note that the main booking channels and distribution partners are adding ESG criteria into their decision-making process for customers to select and more and more corporate travel agreements have ESG mandates. We closely work with regional and international organisations, from local councils (for property developments), to Tourists Boards, accreditation schemes, Radisson Hotel Group and other stakeholder groups. For our ESG strategy and progress, please refer to pages 74 to 89.

Award-winning hospitality management platform

Our business model consists of value creation through ownership and development of hospitality real estate as well as through our hospitality management platform.

Our expert team of passionate hospitality professionals located in London, Amsterdam, Berlin and Pula, collectively manages 48 properties across eight countries. This central team also drives the preopening activities for the properties in our pipeline.

Properties under the team's management range from premium lifestyle hotels to upper upscale and upscale hotels, conference hotels, airport hotels, resort hotels, self-catering apartments, campsites, glamping and destination restaurants and bars.

Every expertise required to successfully develop, operate and commercialise hospitality properties is offered by our support platform. Included in our services is the ability to provide access to our brands as well as those from strategic partners, such as Radisson Hotel Group, which with its Jin Jiang ownership ranks as the world's second largest hotel group.

The multi-billion property portfolio managed by our team is either owned by PPHE Hotel Group, owned or part-owned by third parties or leased from institutional investors. Asset management and relationship management with owners is core to our strategy and we are a trusted fiduciary partner for multiple joint ventures with global institutional capital partners.

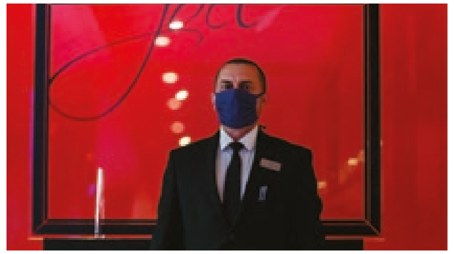
Our hospitality management platform allows for further growth of the portfolio and the Group aims to leverage its scale and grow the external offering in a 'plug and play' manner.

We are expert operators who understand owners' needs and have a strong 30-year track record of delivering outstanding results – from financial returns for owners, to high ratings for employee engagement and excellent guest satisfaction scores and online reviews.

Services we typically provide to owners include the following:

- Access to brands
- Day-to-day operations
- Asset management and optimisation
- Technical services and renovations
- Legal and administrative support
- People, learning and culture programmes and initiatives
- Guest experience management and customer service
- Brand standards and concept development
- Commercial services, including distribution, sales and PR and marketing
- Revenue management, analytics and digital marketing
- Technology solutions, including contactless services

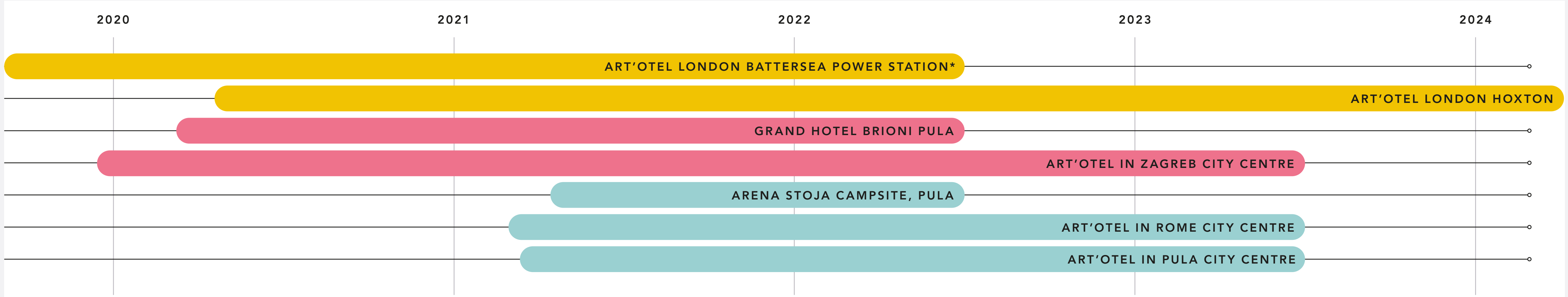
Our team's work is recognised internationally in the form of awards and in 2019–2020 we were awarded 'Best Large Hotel Group' by the AA in the UK and in 2021 we won the prestigious 'Best Employer in Hospitality' award from The Caterer, the UK's leading hospitality media brand. Further recognition in the year went to some of our star team members, including our Executive Chef Oliver Ruiz at Park Plaza Westminster Bridge London who was voted 'Best Chef of the Year' (>250 covers) by The Caterer and Daniel Pedreschi, VP Operations UK, won 'Hotelier of the Year', also from The Caterer. Inbar Zilberman, our Chief Corporate & Legal Officer, was featured in 'Women to Watch and Role Models for Inclusion in Hospitality'. However, for us, all our team members deserve praise and recognition for their outstanding performance during the year.



Our pipeline

Our exciting £200+ million pipeline is filled with potential and ranges from high profile ground-up development projects to conversions, and from land sites to existing hotels with repositioning potential.

Additional repositioning projects are under review in Berlin, Cologne and Budapest.



* art'otel London Battersea Power Station is owned by the Battersea Power Station Development Company and will be operated by the Group under a management agreement, generating fee-based income.

PROPERTY CONSTRUCTION PROPERTY CONVERSION PROPERTY REPOSITIONING

ART'OTEL LONDON BATTERSEA POWER STATION, UK

LONDON

Entering its final stage of construction, art'otel London Battersea Power Station represents the first art'otel opening in the UK's capital. Part of the Battersea Power Station redevelopment scheme, this iconic premium lifestyle hotel will offer 164 rooms, an art gallery, cultural programming, rooftop garden with swimming pool and destination restaurant and bar.

Total rooms
164

ART'OTEL LONDON HOXTON, UK

LONDON

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 343 rooms (including 60 suites), an art gallery, two original Banksy artwork pieces, destination restaurants, a bar, leisure facilities, events space and 5,900m^2 of office space.

Total rooms
343

LONDON PIPELINE, UK

LONDON

The Group has applied for planning to develop a mixed-use scheme consisting of a 186-room hotel and 750m^2 of office space. This development site is located near the Group's Park Plaza London Waterloo property. In addition, the Group has planning to develop a 465-room hotel on the site adjacent to its Park Plaza London Park Royal property for which it is designing plans.

Total rooms
651

GRAND HOTEL BRIONI PULA, CROATIA

PULA

Following two years of extensive redevelopment, Grand Hotel Brioni is set to reopen. The spectacularly located hotel has been transformed into a premium resort, consisting of 227 rooms and suites, an infinity outdoor pool, indoor swimming pool, several restaurants and bars and a children's club.

Total rooms
227

ART'OTEL IN ZAGREB, CROATIA

ZAGREB

Marking the Group's debut in the Croatian capital, construction work has commenced to convert a former office building into a 118-room premium lifestyle art'otel. Located in the city centre, this hotel will offer an art gallery, a rooftop pool, destination restaurant, bar and leisure facilities.

Total rooms
118

ARENA STOJA CAMPSITE PULA, CROATIA

PULA

Located on a peninsula, offering 360° views of the Adriatic, Arena Stoja Campsite will be transformed into an upper upscale property with a choice of premium mobile homes and glamping lodges. Guests will benefit from a newly created on-site restaurant, bar and espressamente illy.

Total units
75

ART'OTEL IN ROME, ITALY

ROME

Marking the Group's entry into Italy, the historic Londra & Cargill hotel in the centre of Rome will be transformed into the Group's first art'otel in Italy. Following repositioning, this hotel will offer 101 rooms, an art gallery, a destination restaurant and bar, leisure facilities and parking.

Total rooms
101

ART'OTEL IN PULA, CROATIA

PULA

Located in the centre of Pula, with its rich Roman-era history, this hotel is near the marina and close to the Roman amphitheatre. Following extensive transformation, this art'otel will offer 80 rooms, an art gallery, a rooftop garden with pool, a destination restaurant and bar and leisure facilities.

Total rooms
80

Financial review

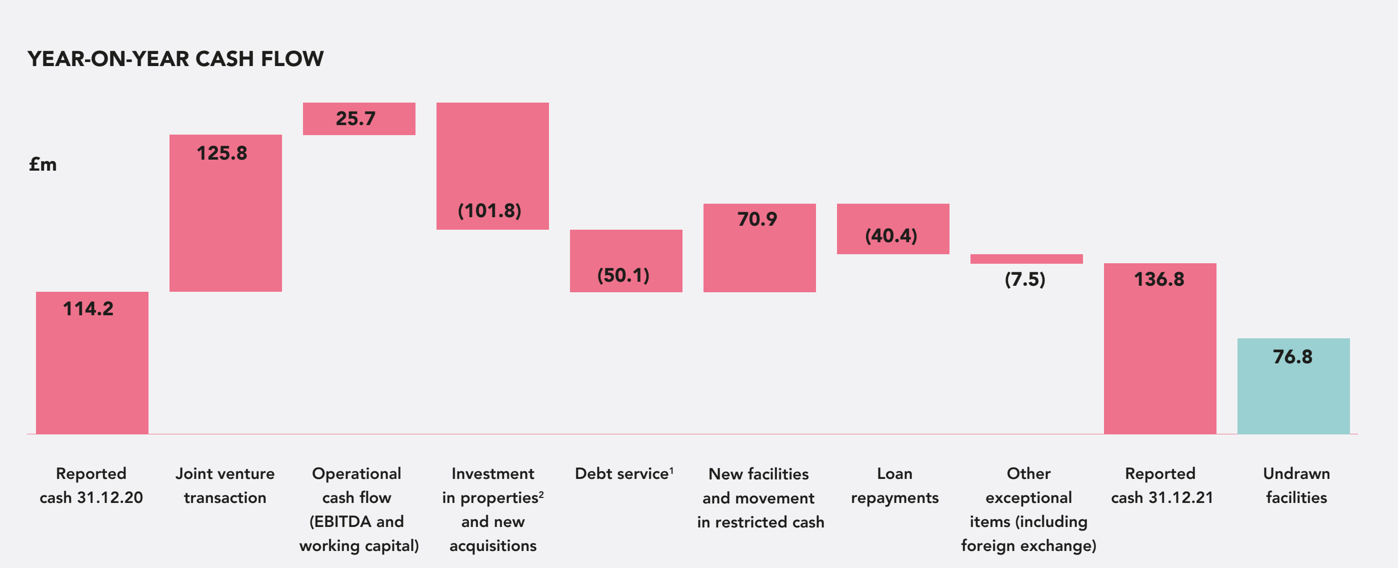
Daniel Kos
Chief Financial Officer
& Executive Director

Pipeline growth and a solid financial position

FINANCIAL RESULTS

Key financial statistics for the financial year ended 31 December 2021.

	Year ended 31 December 2021	Year ended 31 December 2020
Total revenue	**£141.4 million**	£101.8 million
Room revenue	**£84.4 million**	£63.6 million
EBITDAR	**£27.6 million**	£(9.1) million
EBITDA	**£25.1 million**	£(10.1) million
EBITDA margin	**17.7%**	(9.9)%
Reported PBT	**£(57.6) million**	£(94.7) million
Normalised PBT	**£(47.5) million**	£(89.8) million
Reported EPS	**(123)p**	(192)p
Occupancy	**30.7%**	28.0%
Average room rate	**£117.0**	£105.1
RevPAR	**£35.9**	£29.4
EPRA NRV per share	**£22.15**	£22.08
Adjusted EPRA earnings per share	**(44)p**	(123)p



1 Including leases and unit holders in Park Plaza Westminster Bridge London
2 £8 million reflects regular CAPEX

Overview of 2021

For the second consecutive year the Group's financial performance was severely impacted by the COVID-19 pandemic. The first half of the year was dominated with lockdowns and travel restrictions in all of our operating regions, however trading bounced back quickly in the second half-year due to pent-up leisure demand. A strong leisure season caused our Croatian region to reach 93% of its 2019 revenues in the third quarter of 2021.

Although this was the second time the Group faced severe lockdown and travel restrictions, reopening the hotels after this period has proved more challenging than in 2020. Our significantly reduced workforce at reopening, paired with a challenging labour market, caused staff shortages in all our operating regions. Thanks to the dedication and hard work of our staff we were able to cope with the demand fluctuations throughout the last six months of the year. However, as a consequence of these shortages we are faced with increased wage inflation in all our operating regions.

Despite inflationary pressures, the Group continued to take a highly disciplined approach to expenditure with a large focus on further automation and centralisation of back office functions. Furthermore demand growth throughout the second half of the year showed to have a positive drive to our average room rates, which in some properties were starting to exceed 2019 levels.

During the year we entered into a significant joint venture transaction, whereby we divested 49% of two of our London assets to Clal Insurance. With this transaction the Group was able to raise £125.8 million, retaining a long-term management contract and control over the assets. The transaction was largely done at the latest reported NRV of the Group. The proceeds are earmarked to pursue new growth opportunities.

Throughout last year we have been active on growing and progressing our pipeline, with the acquisition of two new hotels in Italy and Austria, the start of the redevelopment of a new hotel in Zagreb, and we are entering the completion stages of a two-year redevelopment of Grand Hotel Brioni in Pula (Croatia).

With current trading impacted again by new government restrictions, at the end of the year the Group's hotels returned to reduced occupancy levels, albeit higher than those experienced in the previous lockdowns of the pandemic.

Operational Performance

Revenue

The first six months of the year were dominated by world-wide lockdowns, amid a vaccine roll out programme. The Group's occupancy levels reached a record low in Q1 given these lockdowns and limited essential worker stays. From May onwards restrictions were progressively eased across our operating markets and demand started to build up during the summer months.
The Group was fortunate to secure an exclusive agreement for Park Plaza Westminster Bridge London to act as official player hotel for the 2021 Wimbledon Championships; furthermore the Group secured a contract to operate two hotels exclusively as part of the UK Government's hotel quarantine programme. These three exclusive contracts provided the UK with contracted business coming out of a lockdown period, enabling the Group to build up a revenue base.

Financial review
continued

Trading in Q3 benefited from pent-up demand after months of travel restrictions, particularly in Croatia, where revenue reached 93% of its 2019 levels in Q3. However, from late autumn demand and consumer sentiment was again affected by increased infection rates and enhanced government measures imposed across Europe to tackle the spread of the virus, followed by further strict government restrictions.

After a period of two years trading in a pandemic, with multiple periods of trading under strict lockdowns or travel restrictions, the Group has significant learnings from booking cycles and trading patterns. Coming out of a period of government-restriction period, we notice a less severe impact to our occupancy compared to other lockdown periods and a quicker reverse of the downward booking trends seen after these restrictions were made.

Reported total revenue for the financial year increased by 38.9% to £141.4 million (2020: £101.8 million). Revenue recovered to 39.5% of 2019 levels (2019: £357.7 million) RevPAR was £35.9, up 22.1% (2020: £29.4), and at 34.6% of 2019 levels. Average room rate increased by 11.4% to £117.0 (2020: £105.1) and was at 91.1% of 2019 levels. Occupancy improved to 30.7% (2020: 28.0%), reflecting our focus on room rates. Predominantly the summer season in Croatia and the Q4 in the UK showed a rate profile exceeding 2019 on many occasions.

EBITDA, profit and earnings per share
The Group Reported EBITDA is £25.1 million (2020: £(10.1) million), of which £(14.0) million relates to the first six months of 2021 and £39.1 million to the last six months of 2021.

Due to the different periods of lockdown, comparing trading periods is increasingly difficult, however the Group believes its third quarter of 2021 was the least distorted trading-wise in terms of government restrictions, with an EBITDA of £33.7 million. This shows a 38.0% decline when compared to the 'COVID-free' 2019 trading period, when the Group delivered a £54.4 million EBITDA in Q3.

The hospitality industry is currently experiencing a challenging labour market as many hospitality workers have left the industry during the second period of lockdowns in early in 2021, causing staff shortages in all our operating regions. Besides this, many European hospitality workers have left the UK during the pandemic, not being able to return due to a change in immigration rules, which adds to the already limited pool of available people. These staff shortages are causing inflationary pressures in payroll cost across all operating regions. The Group is mitigating these inflationary pressures with the implementation of automation, process improvement and centralisation of back office functions.

Similar to 2020, the Group continued to access government support and grants during periods where government restrictions were imposed and materially impacted the Group's normal trading. These support schemes helped to manage the fixed costs within the business during a period of severe revenue decline. In total, the Group received £29.7 million (2020: £34.1 million) of financial support in the year.

Normalised profit before tax improved to £(47.5) million (2020: £(89.8) million). Reported profit before tax improved by £37.1 million to £(57.6) million (2020: £(94.7) million). Below is a reconciliation table from reported to normalised profit.

In £ millions	12 months ended 31 December 2021	12 months ended 31 December 2020
Reported (loss) profit before tax	**(57.6)**	(94.7)
Net insurance proceeds received in relation to one of the Group's UK hotels	–	(10.0)
Execution of the sale and purchase agreement with the Republic of Croatia related to Guest House Riviera Pula	–	1.5
Loss on buy back of units in Park Plaza Westminster Bridge London from private investors	**0.5**	–
Fair value adjustment on income swaps with private investors of Income Units in Park Plaza Westminster Bridge London	–	0.3
Settlement of legal claim	**3.1**	–
Results from marketable securities	–	(0.1)
Revaluation of finance lease	**3.6**	3.4
Revaluation of Park Plaza County Hall London Income Units	**(0.6)**	2.4
Preopening expenses	**0.3**	0.6
Capital (profit) loss on disposal of fixed assets	**(1.0)**	1.5
Impairment of property, plant and equipment and right-of-use assets	**4.4**	5.3
Business combination acquisition costs	**1.0**	–
Loan prepayment break costs	**0.5**	–
Revaluation of share appreciation rights	**(1.7)**	–
Normalised (loss) profit before tax	**(47.5)**	(89.8)

Reported basic/diluted earnings per share for the period were (123) pence (2020: (192) pence).

Depreciation excluding impairment in the year was £38.9 million (2020: £41.3 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 52 is calculated using the 4% rate instead of the reported non-cash depreciation charge.

CAPEX, acquisitions and pipeline update
While the pandemic continued to cause operational disruption, we remained focused on implementing our strategy, progressing our development pipeline, and expanding our footprint into new, highly attractive markets.

We progressed planned development projects, which include a new build hotel in Shoreditch, London (art'otel London Hoxton), a repositioning of a hotel on the Croatian coast (Grand Hotel Brioni) and an office to the hotel conversion in the city centre of Zagreb.

In our flagship art'otel London Hoxton development, the building's core is now reaching the 17th floor of the total 27 floors. After expected completion in early 2024, this mixed-use development will have 343 large hotel rooms, 5,900m² of office space, a spa, gym, pool and multiple food and beverage outlets, including a stunning rooftop bar.

The two-year HRK 260 million (£30 million) repositioning of Grand Hotel Brioni Pula in Croatia is nearing its completion and expected to open before the 2022 season. This luxury hotel features 227 rooms and is located at a spectacular location on the Verudela peninsula.

In Zagreb, interior demolition has started and works are underway to convert this former office into a 118-room luxury hotel in the city centre. This hotel will feature a rooftop pool that overlooks the entire city.

Throughout the year the Group also succeeded in acquiring two new hotels. One hotel is located in Nassfeld, Austria. This 4-star mountain resort includes 144 rooms and is located directly next to the ski lifts of the Nassfeld ski area, featuring 110 kilometres of slopes and excellent summer sports facilities. The hotel was acquired for £12.8 million and complements the Group's leisure and outdoor segment. The resort is closely located to the Group's operations in Croatia and its seasonal operations will complement each other.

The Group furthermore acquired a 4-star hotel in Rome. This hotel, acquired for £28.3 million, has 101 rooms and is located in a prime central location in the city. The Group is planning a significant repositioning of the hotel to an upper upscale lifestyle offering, with opening expected in 2023.

	Summary of EPRA Performance indicators			
	Year ended 31 December 2021		Year ended 31 December 2020	
	£ million	Per Share	£ million	Per Share
EPRA NRV (Net Reinstatement Value)	951.2	£22.15	960.8	£22.08
EPRA NTA (Net Tangible Assets)	919.7	£21.42	924.4	£21.24
EPRA NDV (Net Disposal Value)	857.5	£19.97	830.5	£19.08
EPRA earnings	(17.5)	(41)p	(40.6)	(96)p
Adjusted EPRA earnings	(18.8)	(44)p	(52.1)	(123)p

Together the above developments total a £200+ million plus active development pipeline of hotels in development or repositioning. Our owner/operator model enables us to have full control over the timing of the completion of this pipeline. Considering the challenging market conditions, the Group took the decision in summer 2020 to pause its project in New York until further notice.

Real estate performance valuations
As a 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.

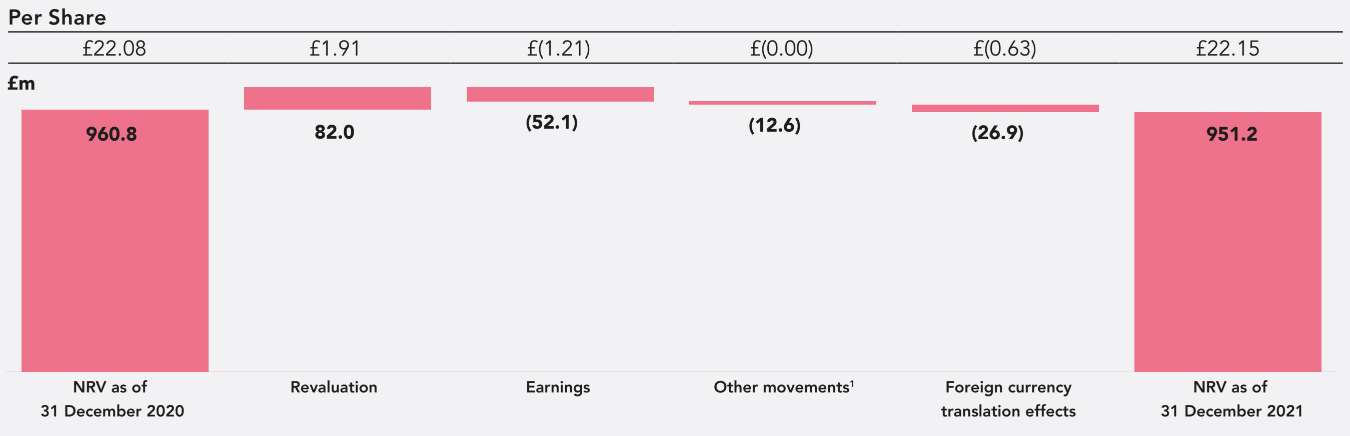
Financial review
continued

In December 2021, the Group's properties (with the exception of operating leases, managed and franchised properties) were independently valued by Savills (in respect of properties in The Netherlands, UK and Germany) and by Zagreb nekretnine Ltd (Zane) (in respect of properties in Croatia). Based on their valuations we have calculated the Group's EPRA NRV, EPRA NTA and EPRA NDV.

The EPRA NRV as at 31 December 2021, set out in the table below, amounts to £951.2 million, which equates to £22.15 per share. The EPRA NRV was negatively impacted by the loss in the year of £52.1 million and positively impacted by a revaluation of £82.0 million. The positive revaluation follows an improved forward looking cash flow profile, with the expectation that the worst period of trading is in the past. In its cash flow forecast, the independent valuer assumes trading will be largely in line with 2019 in the year 2024. Discount and caprates used increased slightly in some instances, reflecting a higher inflationary environment and added risk profile due to the ongoing pandemic.

In the summer of 2021 the Group completed a joint venture transaction with Clal Insurance, divesting a non-controlling 49% stake in two hotels in London. This transaction largely reflects the values that had been included in the Group's EPRA NRV as per 31 December 2020 and reconfirmed the externally valued NRV.

REAL ESTATE PERFORMANCE



1 Includes other changes in equity, deferred taxes, and the effects of the exercise of options. The per share movement also includes the dilution effect as a result of options exercise.

The basis for calculating the Company's EPRA NRV for 31 December 2021 is set out in the table below:

	31 December 2021 £ million		
	EPRA NRV (Net Reinstatement Value)	EPRA NTA[4] (Net Tangible Assets)	EPRA NDV (Net Disposal Value)
NAV per the financial statements	278.5	278.5	278.5
Effect of exercise of options	6.2	6.2	6.2
Diluted NAV, after the exercise of options[1]	284.7	284.7	284.7
Includes:			
Revaluation of owned properties in operation (net of non-controlling interest)[2]	636.1	636.1	636.1
Revaluation of the JV interest held in two German properties (net of non-controlling interest)	3.4	3.4	3.4
Fair value of fixed interest rate debt	–	–	(53.7)
Deferred tax on revaluation of properties	–	–	(13.0)
Real estate transfer tax[3]	17.2	–	–
Excludes:			
Fair value of financial instruments	(0.4)	(0.4)	–
Deferred tax	(9.4)	(9.4)	–
Intangibles as per the IFRS balance sheet	–	14.3	–
NRV/NTA/NDV	951.2	919.7	857.5
Fully diluted number of shares (in thousands)[1]	42,935	42,935	42,935
NRV/NTA/NDV per share (in £)	22.15	21.42	19.97

1 The fully diluted number of shares excludes treasury shares but includes 585,867 outstanding dilutive options (as at 31 December 2020: 1,196,996).
2 The fair values of the properties were determined on the basis of independent external valuations prepared in December 2021. The properties under development are measured at cost.
3 EPRA NTA and EPRA NDV reflect fair value net of transfer costs. Transfer costs are added back when calculating EPRA NRV.
4 NTA is calculated under the assumption that the Group does not intend to sell any of its properties in the long run.

Financial review
continued

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

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

Below is a summary of the valuation basis of our assets as at 31 December 2021. The property market value, the discount rate and the cap rate have been taken from the independent valuer's report.

Region	Properties	Property market value £million	Discount rate	Cap rate
United Kingdom				
London	6	901.9	7.5% – 9.0%	5.0% – 6.5%
Provinces	2	29.9	9.8% – 10.0%	7.3% – 7.5%
The Netherlands				
Amsterdam	4	238.5	8.0% – 9.8%	5.5% – 7.3%
Provinces	2	35.9	9.8% – 9.8%	7.3% – 7.3%
Germany	3	87.2	8.5% – 9.3%	6.0% – 6.8%
Croatia				
Hotels and apartments	10	139.7	9.0% – 10.0%	7.0% – 8.0%
Campsites	8	113.4	9.0% – 11.0%	7.0% – 9.0%
Others	3	50.4	6.3% – 9.5%	5.0% – 9.0%

Cash flow and EPRA earnings

2021 is the second consecutive year the Group's trading is heavily affected by the pandemic. Although the valuations reflect a forward outlook and expected recovery of the industry, the reported cash flow and earnings look backwards. The Group reported adjusted EPRA earnings of £(18.8) million (2020: £(52.1) million) and adjusted EPRA earnings per share of (44) pence (2020: (123) pence). These negative earnings are in sharp contrast to the Groups' 2019 EPRA earnings of 128 pence per share). In their valuations, valuators assess a return to 2019 trading in 2024.

Group's quarterly cash flow for 2021

	£ million				
	Q1	Q2	Q3	Q4	Total
Operational cash flow (EBITDA and working capital)	(8.2)	3.0	31.7	(0.8)	25.7
Investment in properties and new acquisitions	(10.6)	(17.5)	(16.2)	(57.5)	(101.8)
Debt service[3]	(9.1)	(11.5)	(11.5)	(18.0)	(50.1)
New facilities and movement in restricted cash	16.4	18.3	8.1	28.1	70.9
Loan repayments	–	(40.4)	–	–	(40.4)
Joint venture transaction[2]	–	125.8	–	–	125.8
Other exceptional items (including FX)	(2.8)	0.3	(4.5)	(0.5)	(7.5)
Total cash movement	(14.3)	78.0	7.6	(48.7)	22.6
Cash and cash equivalents at beginning of period	114.2	99.9	177.9	185.5	114.2
Cash and cash equivalents at end of period	99.9	177.9	185.5	136.8	136.8
Undrawn facilities at end of period[1]	69.0	60.0	77.2	76.8	76.8

1 The amount of undrawn facilities as at 31 December 2021 and 30 September 2021 comprise of the £40 million undrawn amount under the CLBILS facility and the £20 million undrawn amount under the Park Plaza London Waterloo facility and €20 million undrawn amount under the working capital facility entered by Arena on 20 September 2021. The amount of undrawn facilities as at 30 June 2021 comprise of the £40 million undrawn amount under the CLBILS facility and the £20 million undrawn amount under the Park Plaza London Waterloo facility. The amount of undrawn facilities as at 31 March 2021 comprise of £17.0 million undrawn amount under the CLBILS facility, £14.8 million undrawn amount under the Park Plaza London Waterloo facility and access to £37.2 million undrawn amount under the art'otel london hoxton facility which was cancelled due to the Group entering into a joint venture with Clal.
2 Comprise of the £113.7 million cash received as part of entering into a long-term partnership with Clal, including the further cash injection of £12.1 million to fund the remaining equity commitments of the art'otel london hoxton development project.
3 Including leases, unit holders in Park Plaza Westminster Bridge London.

Financial review
continued

The main adjustment to the normalised profit included in the Group's financial statements is adding back the IFRS depreciation charge, which is based on assets at historical cost, and replacing it with a charge calculated at 4% of the Group's total revenues.

This represents the Group's expected average cost to maintain the estate in good quality. The basis for calculating the Company's 2021 adjusted EPRA earnings is set out in the table below:

Reconciliation of reported earnings to adjusted EPRA earnings

	12 months ended 31 December 2021 £ million	12 months ended 31 December 2020 £ million
Earnings attributed to equity holders of the parent company	**(52.1)**	(81.7)
Depreciation and amortisation expenses	**43.3**	46.6
Revaluation of Park Plaza County Hall London Income Units	**(0.6)**	2.4
Changes in fair value of financial instruments	**(1.7)**	0.2
Non-controlling interests in respect of the above[3]	**(6.4)**	(8.1)
EPRA earnings	**(17.5)**	(40.6)
Weighted average number of shares (LTM)	**42,539,340**	42,466,006
EPRA earnings per share (in pence)	**(41)**	(96)
Company-specific adjustments:[1]		
Capital loss on buy-back of Income Units in Park Plaza Westminster Bridge London	**0.5**	–
Remeasurement of lease liability[4]	**3.6**	3.4
Other non-recurring expenses (including preopening expenses)[9]	**(0.7)**	2.0
Loan early repayment break costs[13] (see note 15b)	**0.5**	–
Business combination acquisition costs[12]	**1.0**	–
Government settlement purchase of Hotel Riviera[7]	**–**	1.5
Settlement of legal claim[6]	**3.1**	–
Adjustment of lease payments[5]	**(2.3)**	(2.6)
Insurance settlement[10]	**–**	(10.0)
One off tax adjustments[8]	**(3.6)**	(1.8)
Maintenance CAPEX[2]	**(5.7)**	(4.0)
Non-controlling interests in respect of the above[3]	**2.3**	–
Company adjusted EPRA earnings[1]	**(18.8)**	(52.1)
Company adjusted EPRA earnings per share (in pence)	**(44)**	(123)
Reconciliation company adjusted EPRA earnings to normalised profit before tax		
Company adjusted EPRA earnings	**(18.8)**	(52.1)
Reported depreciation[11]	**(38.9)**	(41.3)
Non-controlling interest in respect of reported depreciation	**6.3**	8.1
Maintenance CAPEX[2]	**5.7**	4.0
Non-controlling interest on maintenance CAPEX and the company-specific adjustments	**(2.3)**	–
Adjustment of lease payments[5]	**2.3**	2.6
One off tax adjustments[8]	**3.6**	1.8
(Loss)/profit attributable to non-controlling interest	**(0.4)**	(12.2)
Reported tax	**(5.0)**	(0.7)
Normalised (loss)/profit before tax	**(47.5)**	(89.8)

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 25a in the annual consolidated financial statements).
7 Execution of the sale and purchase agreement with the Republic of Croatia related to Guest House Riviera Pula (see Note 5d in the annual consolidated financial statements).
8 Mainly relates to deferred tax asset recorded in 2021 and investment tax credit received in Croatia in 2020. (see Note 27f in the annual consolidated financial statements)
9 Mainly relates to profit and loss on disposal of property, plant and equipment
10 Net insurance proceeds received in relation to one of the Group's UK hotels.
11 Reported depreciation excluding impairments.
12 Business combination acquisition costs (see Note 3a and 3b in the annual consolidated financial statements).
13 Loan early repayment break costs (see note 15b 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.

Funding
Throughout the pandemic, in the last two years, all our lenders have again been supportive by providing additional facilities, providing waivers on debt covenant testing and by waiving amortisation obligations. After reviewing forecast scenarios we have liaised again with our lenders and agreed postponement of financial covenant testing on trading until 2023. The Group is currently in compliance with respect to all its loan-to-value covenants.

The Group increased a £30 million revolving credit facility, backed by the UK Government, to £40 million (fully undrawn at balance sheet date), and entered into a €20 million (£16.8 million) working capital facility in Croatia (fully undrawn at balance sheet date). Post balance sheet it extended a €10 million (£9.1 million) term facility, backed by the Dutch Government, with one year, now maturing in August 2024. All these facilities are secured with the Group's current banking partners.

In addition, the Group signed a new €10.5 million (£8.8 million) facility to fund the acquisition in Austria. Post balance it signed a €25 million mortgage facility to fund the acquisition and planned refurbishment of the hotel in Rome.

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

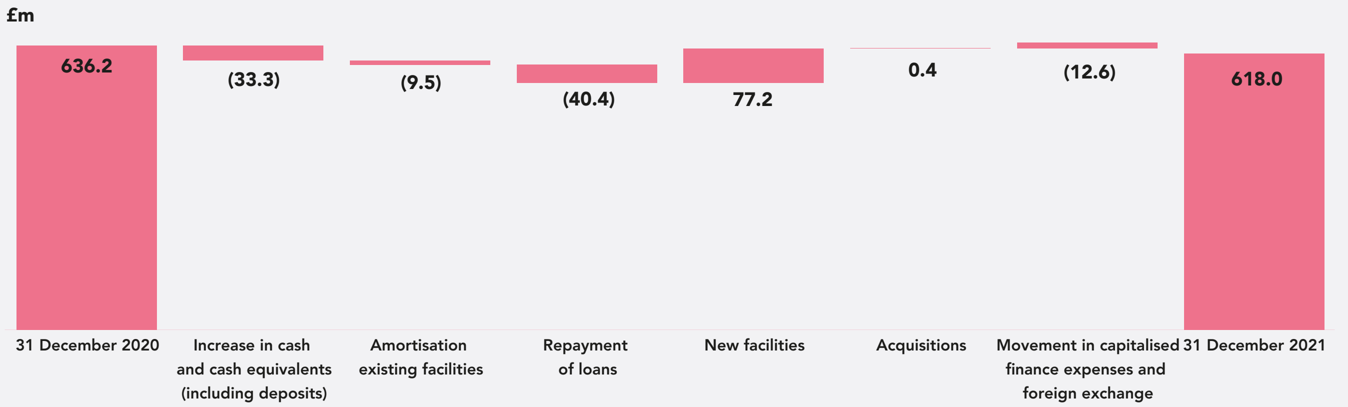
Financial review
continued

Net debt leverage reconciliation

	£ million		
	As report in the annual financial statement	EPRA NRV adjustment	EPRA NRV values
Balance sheet			
PP&E	1,236.0	597.8	1,833.8
Right-of-use asset	215.9	(215.9)	-
Lease Liabilities	(251.6)	251.6	-
Liability to income units in Westminster Bridge hotel	(124.6)	124.6	-
Net PP&E	**1,075.7**	**758.1**	**1,833.8**
Intangible assets	14.3		14.3
Investments in Joint ventures	4.3	6.5	10.8
Other assets and liabilities, net	(29.1)	11.7	(17.4)
Total assets net of finance leases and excluding cash	**1,065.2**	**776.3**	**1,841.5**
Bank/ institutional loans (short/long term)	768.1		768.1
Cash & cash equivalent and restricted cash	(150.1)		(150.1)
Net bank Debt	**618.0**		**618.0**
Total capital	**447.2**	**776.3**	**1,223.5**
Capital and net debt	**1,065.2**	**776.3**	**1,841.5**
Minority shareholders	**(168.7)**	**(109.8)**	**(278.5)**
Total capital employed PPHE shareholders	**896.5**	**666.5**	**1,563.0**
Gearing ratio	**58.0%**		**33.6%**

The Group reported a gross bank debt liability of £768.1 million (31 December 2020: £757.4 million) and net bank debt of £618.0 million (31 December 2020: £636.2 million). This reflects a net bank debt leverage of 33.6% (2020: 37.1%).

NET DEBT



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

Loan maturity profile at 31 December 2021 (£m)

	Total	1 year	2 years	3 years	4 years	5 years	Thereafter
£m	768.1	38.8	22.1	16.5	57.0	354.5	279.2

- Average cost of bank debt 3.1%
- Average maturity of bank debt 5.3 years

Key characteristics debt for operating properties
- Limited to no recourse to the Group
- Asset backed
- Borrowing policy 50–65% loan-to-value
- Portfolio and single asset loans
- 24 facilities with 12 different lenders
- Covenants on performance and value (facility level)

Financial review
continued

Cover ratios

	ICR[1]	DSCR[2]
2021	0.4x	0.2x
2020	(1.2)x	(0.4)x
2019	4.4x	2.7x

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

Other

Long-term partnership with Clal Insurance (Clal)

In June, the Group entered into a long-term partnership with Clal, a leading insurance and long-term savings company, in respect of Park Plaza London Riverbank and art'otel London Hoxton. As part of the transaction, PPHE received £125.8 million in cash and Clal was granted 5 million share appreciation rights (SAR) to have a value upside if the gap between the Group's latest reported EPRA NRV and its current market price narrows over the maturity period.

The SAR has a seven-year maturity with a strike price of £16 per share and the upside is capped at £21 per share. Clal has also committed to a further cash injection of £12.1 million to fund its portion of the remaining equity commitments of the art'otel London Hoxton development project. Clal's investment, taking into account existing bank debt and remaining development costs, is based on a £263 million property valuation for Park Plaza London Riverbank and an all-in development budget cost of £279.3 million for the art'otel London Hoxton project. These valuations are in line with the Groups' reported NRV in December 2020.

The Group remains the majority owner of the hotels by retaining a 51% controlling stake in one joint venture company holding (JVCo), and through its management company has secured a 20-year hotel management agreement in respect of both hotels. Clal became a minority partner and owner of 49% of the shares in JVCo, holding indirectly the real estate and operations of these two properties.

This agreement provided the Group with an opportunity to raise liquidity on the back of its assets and leverage the equity invested in those assets, which is part of its strategy to have innovative ways in raising cash on the back of its balance sheet. Given the gap in the share price and the Group's NRV, management believes this method of raising liquidity is in the best interest of the Group. The additional liquidity will be recycled into the business and used to pursue new growth opportunities and to support the recovery ahead.

Dividend

Given the impact of the government restrictions due to the pandemic and the Group receiving substantial government support during the year across our operating regions, the Board is of the view that it is neither sustainable, nor appropriate to propose a dividend in respect of the year 2021.

The Board appreciates the importance of dividends and will review dividend payments during the next half year reporting period, in line with the recovery trajectory, the receipt of government support and the business returning to cash flow positive trading. Should the analysis on the financial performance allow, the Board intends to reinstate its progressive dividend policy. The recent investments made in progressing and extending our pipeline should aid the Group in achieving a positive cash flow in the near future.

Daniel Kos
Chief Financial Officer & Executive Director

Park Plaza Westminster Bridge London

Greg Hegarty
Deputy Chief Executive Officer & Chief Operating Officer

What sets us apart is our strong sense of purpose

In my second year as the Group's Deputy CEO and COO I have been immensely impressed by our team's flexibility, commitment and passion shown. We ended 2020 filled with optimism for 2021, driven by the various vaccine developments which were widely seen as the way out of the pandemic. We all hoped that a short period of lockdown over the 2020/2021 winter period would allow us to reopen again early in the New Year.

However, strict measures remained in place for a prolonged period of time and we were only able to reopen our UK portfolio fully in May, and on the continent this was even as late as June and July. In this interim period, however, we maintained many of our teams, made voluntary personal sacrifices and successfully secured several government and essential business travel agreements. Two of our hotels in the UK were included in the UK Government's quarantine hotel programme, and they delivered an outstanding performance. Our teams worked day and night to prepare the hotels for welcoming guests who were required to isolate. The hotel teams had to constantly find a balance between delivering the contracted set of services and amenities, which were all geared around minimising guest contact, and offering a hospitable environment.

As soon as restrictions were eased, demand returned quickly, driven by strong domestic leisure markets and several key sports events, such as the Euros, Cricket and, most notably, The Championships, Wimbledon, for which our Park Plaza Westminster Bridge London was chosen as the official host hotel for the players and support teams.

When the time came to reopen our properties to the public, we were ready and filled with excitement. Our teams were expanded in line with demand and fully trained and reenergised. During these volatile and uncertain times, we welcomed back several hundred team members who were on furlough (or equivalent support programmes in The Netherlands or Germany), we recruited and onboarded several hundred new team members and delivered the excellent guest experiences in which we take enormous pride.

"When the time came to reopen our properties to the public, we were ready and filled with excitement"

We can reflect on a strong summer for the UK properties and most notably in our Croatian portfolio where in July and August we delivered a record performance. The momentum experienced in summer unfortunately didn't last in continental Europe as several countries experienced yet another increase in infections, leading to the reintroduction of restrictions. The UK started introducing measures again towards the end of 2021.

However, two years into the pandemic, every time measures are lifted we see an immediate pickup in demand for our properties. This gives us great confidence about the future of our industry and the prospects of our Group. As we entered 2020, we had just completed a £100 million investment programme and in 2021 we continued to invest in our pipeline, we completed several acquisitions and upgraded properties. The quality, depth and locations of our portfolio, the excellent guest ratings and highly motivated teams will continue to drive our recovery.

The pandemic, combined with the effects of Brexit in the UK, has had a significant impact on the availability of labour in the hospitality industry. Many hospitality professionals have pursued other careers and employee shortages across our sector have been widely reported. We are not immune to these trends but have benefited enormously from our earlier strategic decision to employ our own accommodation services teams, reducing our exposure. Our in-house team has helped us to cope with the peaks in demand and was able to move between properties. In addition, our recruitment teams were extended, and several new strategies and initiatives were introduced to increase our talent pool.

In my view, what sets our Group apart is our strong sense of purpose, which is built around creating valuable memories for our guests and value for our assets, people and local communities. 2021 was another year where we placed these stakeholders at the centre of the decisions we made. Our team members agreed and voted en masse for our Group to be recognised by The Caterer as the 'Best Employer in Hospitality'. In light of the dramatic changes we have experienced as hoteliers and the ways we have had to adjust, I am humbled and feel privileged to be working with so much talent.

During 2021 we engaged KPMG to help us sharpen our overall strategy, ensuring we continue to do what we do well, and explore further growth opportunities. Under the guidance of our Board and leadership team, we refined our corporate strategy, identifying strategic pillars and enablers. Our future focus remains centred around our owner/operator business model, leveraging our real estate ownership and expertise while growing our hospitality management platform. We are confident about our road to recovery and are excited about our pipeline, with several new openings and repositioning programmes planned for 2022, 2023 and 2024. 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 performance

Total value of UK property portfolio[1]

£932m

2020: £894m

Property portfolio

The Group has a well-invested portfolio consisting of approximately 3,200 rooms in operation in the upper upscale segment of the London hotel market, and approximately 1,100 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. There are also three properties in the UK regional cities of Nottingham, Leeds and Cardiff.[2]

The Group has an ownership interest in nine 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, Holmes Hotel London, Park Plaza Leeds and Park Plaza Nottingham. Park Plaza Cardiff[2] operates under a franchise agreement.

Portfolio performance

The quality and location of the Group's portfolio in London positioned it well to benefit from improved activity as restrictions were eased.

Most of the Group's hotels in the UK (the Group's largest market) were closed from 6 January until 17 May 2021, in line with the UK Government's international and domestic travel restrictions due to the pandemic. All restaurants and bars within properties were also closed, significantly impacting the first half performance.

To help mitigate the impact of the property closures, the Group secured a commercial agreement with the Department of Health and Social Care (DHSC) to provide temporary accommodation for individuals arriving from 'red-list' countries. Park Plaza London Waterloo and Park Plaza Victoria London operated solely as quarantine hotels from May and July respectively. The DHSC set the service requirements to be provided by these hotels and was responsible for the provision of medical and security staff. The hotel team members had limited contact with guests during their stay. These agreements ceased in early November and both hotels reopened to the public.

Furthermore, the Group was very proud to be selected as the exclusive Official Player Hotel for the Wimbledon Championships by the All England Lawn Tennis Club (AELTC). Park Plaza Westminster Bridge London accommodated all the players and their support teams. The hotel provided full-service hospitality including testing and recovery centres, gyms, hospitality desks for players and highly tailored nutritional food and beverage offerings.

Together these commercial agreements provided the Group with alternative revenue streams during a period of property closures and low demand for non-essential stays.

On 17 May restrictions were eased which allowed the Group's UK hotels to reopen and welcome back guests for non-essential travel. Thereafter, activity levels and booking pace gradually improved, with demand primarily generated by domestic leisure guests. This trading momentum continued into the second half aided by the return of international travel, which resulted in both strong revenue generation and recovery in average room rates during Q3, in line with the Group's rate-driven strategy.

Corporate travel and meetings and events continued to grow month-by-month in the second half, albeit demand remained behind 2019 levels, and several events, such as awards dinners, took place in Q4. Booking pace slowed down from the second half of November due to the emerging of the Omicron variant.

Financial performance

	Reported in GBP (£)		
UK	Year ended 31 Dec 2021	Year ended 31 Dec 2020	% change
Total revenue	**£75.3m**	£56.5m	33.1%
EBITDAR	**£11.7m**	£1.9m	505.5%
EBITDA	**£11.2m**	£1.5m	665.5%
Occupancy	**31.9%**	29.0%	290 bps
Average room rate	**£136.2**	£116.6	16.8%
RevPAR	**£43.4**	£33.8	28.5%
Room revenue	**£49.9m**	£39.0m	28.2%
EBITDA %	**14.9%**	2.6%	1,230 bps

Total reported revenue was £75.3 million (2020: £56.5 million), 36.3% of 2019 levels. Reported RevPAR was £43.4 (2020: £33.8 million), 32.5% of 2019 levels, driven by a recovery in average room rate to £136.2 (2020: £116.6), and occupancy of 31.9% (2020: 29.0%).

Notwithstanding the actions taken, Reported EBITDAR was £11.7 million (2020: £1.9 million), and EBITDA was £11.2 million (2020: £1.5 million). During the period, the Group benefited from approximately £12.1 million of support in the form of grants and business rates relief.

Asset management projects

The Residence at Holmes Hotel London is a unique self-contained event space, which was completed and launched during 2021. This versatile meeting and events space offers several uniquely designed meeting rooms which can be booked individually or together, including the use of a private pantry and billiards room, to host a fully private function such as team away days and collaborative group sessions.

Development pipeline

The Group's largest pipeline project is the development of art'otel London Hoxton, located in one of London's most exciting neighbourhoods. This £180+ million mixed-use scheme will accommodate a premium lifestyle hotel with 343 rooms and suites, five floors of office space, as well as wellness facilities, a gym and swimming pool, and art gallery space. Construction of the building has progressed to plan, with subterranean works and the core structure complete, and 17 out of 27 floors constructed. The project is expected to complete in early 2024.

Two further mixed-use development projects are planned for London. In west London, detailed plans are being prepared for the Group's site adjacent to Park Plaza London Park Royal. The plans include a 465-room hotel, 6,000m² of light industrial space and 3,000m² of state-of-the-art co-working offices, a gym and swimming pool. The site benefits from its proximity to London Heathrow Airport and Wembley Stadium, and it has easy access to central London via road and rail. Planning permission was successfully obtained in late 2020.

Planning applications for the Group's vacant freehold site on London's South Bank (79–87 Westminster Bridge Road) have been submitted. Subject to obtaining planning, the Group intends to convert the property into a new 186 room hotel and approximately 750m² earmarked for office space and light industrial use.

Furthermore, development of art'otel London Battersea Power Station by the Battersea Power Station Development Company is progressing well and the hotel is expected to open during the second half of 2022. The hotel will be managed by the Group under a long-term contract.

The two high-profile London art'otel projects are part of the Company's strategic plan to operate and develop a collection of premium lifestyle art'otels across existing and new markets including Amsterdam, London, Rome and Zagreb.

The UK hotel market*

Following on from a severely disrupted 2020, COVID-19 continued to negatively affect the hospitality industry in 2021 with many countries extending or reimposing restrictions on domestic and international travel with the rise of the Omicron variant. This led to hotels in our markets either closing completely or having their offerings severely restricted and therefore affecting their attractiveness to the limited demand.

This inconsistency in the market has made performance comparisons, at a hotel competitor set level, very unpredictable and unreliable but at a Country/City market data level, through the STR TRI Report, we can see the year-on-year changes. Below is based on full inventory availability versus 2020.

On a full-year basis, the impact on the UK market was an 80.4% increase in RevPAR to £40.3, which was the result of a 53.1% increase in occupancy to 46.8% and a 17.8% increase in average room rate, to £86.2.

Full-year performance saw London, our main UK market, improving by 59.7% in RevPAR to £45.3. Occupancy increased by 46.8% to 37.4% with an increase in average room rate of 8.8% to £121.0.

* Source: STR European Hotel Review TRI: December 2021.

ART'OTEL LONDON HOXTON

The construction of art'otel London Hoxton in the heart of London Shoreditch is progressing well, with external cladding expected to commence installation in the first half of 2022. The 27-storey property will comprise 343 hotel rooms, including 60 long-stay apartments and 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.

1. Independent valuation by Savills in December 2021 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.

Business review continued
The Netherlands

Total value of the Netherlands property portfolio[1]

£274m

2020: £280m

Property portfolio
The Group has an ownership interest in three hotels in the centre of Amsterdam and a fourth property located near Amsterdam Airport Schiphol, and it has two owned hotels in Utrecht and in Eindhoven.

Portfolio performance
Trading in the year was severely impacted by extremely low demand due to government lockdown measures such as travel restrictions, curfews and the temporary closure of restaurants, cafés and bars. While hotels could remain open throughout, the impact of restrictions on demand resulted in the Group's hotels being either temporarily closed or operating at significantly reduced capacity during the first half. All restaurants and bars within the properties were closed.

Restrictions were eased from June and all properties (apart from one) reopened. Park Plaza Amsterdam Airport remained closed all year. As the second half progressed, restrictions on international travel were eased, particularly from the UK, an important source market, which led to improved booking momentum in the second half. Nonetheless, demand was primarily from domestic guests, with the Group's regional properties experiencing greater demand than city-centre locations.

However, in the autumn virus infection rates began to rise in The Netherlands, resulting in further government restrictions such as coronavirus entry-pass requirements for food and drink venues and events, and a 5pm evening curfew from 28 November. On 18 December a lockdown was introduced, adversely impacting trading.

Consequently, total revenue in Euros was €12.1 million (2020: €16.8 million), 19.6% of 2019 levels. RevPAR decreased to €20.8 (2020: €28.0). Average room rate increased to €128.1 (2020: €110.6). Occupancy reflected extremely low demand at 16.3% (2020: 25.3%).

EBITDA (in Euros) was €1.2 million (2020: €(0.1) million), despite the Group's continued focus on its cost base and usage of the government support schemes available. During the period, the Group benefited from approximately £6.5 million (€7.5 million) of payroll support and fixed costs subsidies.

Financial performance

	Reported in Pound Sterling[2] (£)			Reported in local currency Euro (€)		
The Netherlands	Year ended 31 Dec 2021	Year ended 31 Dec 2020	% change	Year ended 31 Dec 2021	Year ended 31 Dec 2020	% change
Total revenue	**£10.4m**	£14.9m	(30.8)%	**€12.1m**	€16.8m	(28.2)%
EBITDAR	**£1.1m**	£0.0m	N/A	**€1.3m**	€0.0m	N/A
EBITDA	**£1.1m**	£(0.1)m	N/A	**€1.2m**	€(0.1)m	N/A
Occupancy	**16.3%**	25.3%	(910)bps	**16.3%**	25.3%	(910)bps
Average room rate	**£109.9**	£98.3	11.7%	**€128.1**	€110.6	15.8%
RevPAR	**£17.9**	£24.9	(28.2)%	**€20.8**	€28.0	(25.6)%
Room revenue	**£7.0m**	£9.8m	(28.4)%	**€8.2m**	€11.0m	(25.8)%
EBITDA %	**10.4%**	(0.4)%	1,070bps	**10.4%**	(0.4)%	(1,070)bps

1 Independent valuation by Savills in December 2021.
2 Average exchange rate from Euro to Pound Sterling for the year to December 2021 was 1.17 and for the year to December 2020 was 1.12, representing a 3.6% increase.

Asset management projects
The Group's flagship property, art'otel Amsterdam, reopened in June. In November, a brand new restaurant design and concept was launched in partnership with two Michelin starred Portuguese chef Henrique Sá Pessoa. The Group also completed a refurbishment of a new all-day café, Carsten's Café Amsterdam, positioned near the entrance of the hotel.

Due to the measures introduced, both restaurants have been open for a short period of time, but when they were they generated excellent guest reviews and publicity and we expect that when markets reopen both will regain momentum.

Asset management projects under consideration for 2022 include the redevelopment and launch of the gym, wellness and swimming pool areas of Park Plaza Victoria Amsterdam and art'otel Amsterdam.

The Netherlands hotel market*
Following on from a severely disrupted 2020, COVID-19 continued to negatively affect the hospitality industry in 2021 with many countries extending or reimposing restrictions on domestic and international travel with the rise of the Omicron variant. This led to hotels in our markets either closing completely or having their offerings severely restricted and therefore affecting their attractiveness to the limited demand.

This inconsistency in the market has made performance comparisons, at a hotel competitor set level, very unpredictable and unreliable but at a Country/City market data level, through the STR TRI Report, we can see the year-on-year changes. Below is based on full inventory availability versus 2020.

On a full-year basis, the impact on the Dutch market was a 11.8% increase in RevPAR to €29.3, which was the result of a 10.9% increase in occupancy to 31.1% and a 0.8% increase in average room rate, to €94.1.

Full-year performance saw Amsterdam, our main market in the Netherlands, improving 5.3% in RevPAR to €26.4. Occupancy increased by 7.7% to 25.7% with a reduction in average room rate of 2.3% to €102.7.

* Source: STR European Hotel Review TRI: December 2021.

ART'OTEL AMSTERDAM

ARCA opens at art'otel Amsterdam
Award-winning two Michelin starred Portuguese chef Henrique Sá Pessoa, recently named 38th Best Chef 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!

arcaamsterdam.com

Business review continued

Croatia

Total value of Croatian property portfolio[1]

£253m

2020: £243m

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 in Istria, Croatia's most prominent tourist region. Four of Arena's properties in Croatia are Park Plaza branded whereas the remainder of their portfolio operates independently or as part of the Arena Hotels & Apartments and Arena Campsites brands. Hotel Brioni was closed during the season with our repositioning programme nearing completion and Hotel Riviera was closed while we are finalising our redevelopment plans.

Portfolio performance

Operations in Croatia are highly seasonal, with guest visits mainly occurring from June to September. Most of the Group's properties typically open and commence trading around the Easter period and close by late September to mid-October.

In 2021, the opening of the majority of the Group's hotels and apartment complexes was delayed until June due to government restrictions.

By the end of June, all properties had reopened and were operating at full capacity. As travel restrictions were eased booking activity began to increase, driven by strong demand from Germany, Austria and other Central Eastern European countries. As a service to guests, Arena provided PCR test locations at several of its properties.

As a result of the above, revenue in the third quarter (peak season) recovered strongly, to approximately 93% of revenue in the same period in 2019. This was achieved despite continued travel restrictions from the UK (an important source market), and a reduced number of flights to and from Pula airport. Notably the financial contribution from the Group's campsites, which are high margin, was greater than in previous years due to their accessibility by car from surrounding countries and the customer perceptions of their safety.

In 2021, total revenue (in Croatian Kuna) was HRK 392.2 million (2020: HRK 158.7 million). RevPAR increased to HRK 412.6, reflecting an improvement in occupancy to 46.6% (2020: 30.4%) and a 16.4% improvement in average room rate to HRK 885.8 (2020: HRK 761.1).

Financial performance

	Reported in Pound Sterling[2] (£)			Reported in local currency HRK		
Croatia	**Year ended 31 Dec 2021**	Year ended 31 Dec 2020	% change	**Year ended 31 Dec 2021**	Year ended 31 Dec 2020	% change
Total revenue	**£44.6m**	£18.7m	138.6%	**HRK 392.2m**	HRK 158.7m	147.2%
EBITDAR	**£16.4m**	£1.1m	1,381.1%	**HRK 143.4m**	HRK 9.4m	1,432.8%
EBITDA	**£14.6m**	£0.4m	3,923.6%	**HRK 127.6m**	HRK 3.1m	4,064.1%
Occupancy[3]	**46.6%**	30.4%	1,620bps	**46.6%**	30.4%	1,620bps
Average room rate[3]	**£101.0**	£89.8	12.5%	**HRK 885.8**	HRK 761.1	16.4%
RevPAR[3]	**£47.1**	£27.3	72.5%	**HRK 412.6**	HRK 231.1	78.5%
Room revenue[3]	**£21.6m**	£8.1m	167.7%	**HRK 189.6m**	HRK 68.4m	177.0%
EBITDA %	**32.6%**	1.9%	3,070bps	**32.6%**	1.9%	3,070bps

1 Independent valuation by Zagreb nekretnine Ltd in December 2021 and excluding Hotel Brioni (Pula) and Zagreb which are under development.
2 Average exchange rate from Croatian Kuna to Pound Sterling for the year to December 2021 was 8.77 and for the year to December 2020 was 8.47, representing a 3.5% change.
3 The room revenue, average room rate, occupancy and RevPAR statistics include all accommodation units at hotels and self-catering apartment complexes and excludes campsite and mobile homes.

The region reported an EBITDA of HRK 127.6 million, up 4,064.1% year-on-year (2020: HRK 3.1 million). This included the utilisation of government grants to support payroll costs and fixed costs subsidies until July 2021, which amounted to approximately HRK 23.6 million (£2.7 million).

The Group employs local seasonal workers and workers from abroad, mainly neighbouring countries, during the peak trading period. However, the European labour market pressures experienced by all hotel companies made recruit particularly challenging in the year. To mitigate this, operations in Croatia were supported by German and Hungarian team members, and colleagues took on versatile roles in the hotels with office staff supporting hotel operations, such as housekeeping and food and beverage, during the peak season.

Looking ahead to 2022, the Group has agreed a partnership with TUI to market the Arena Hotel Medulin, located on the Istrian Peninsula, on an exclusive basis under its TUI Blue Hotel brand. The partnership signals confidence both in the Group's proposition and wider market recovery.

Development projects

The Group's most significant investment project in Croatia is the extensive repositioning of Grand Hotel Brioni in Pula to an upper upscale 227-room full-service hotel, at an investment of HRK 260 million (£30 million). The property, which is located 50 metres from, and with stunning views over, the Adriatic Sea, will be relaunched for the 2022 summer season as Grand Hotel Brioni Pula.

In September, the Group commenced conversion of its iconic property (under a 45-year lease agreement) in Zagreb city centre from office space to a premium lifestyle art'otel. The project is estimated to cost HRK 135 million (£15 million), and the hotel is expected to be relaunched in Q4 2022.

The Group is also investing HRK 38 million (£4 million) in the Arena Stoja Campsite. The project will be split into two phases. Phase one, which is expected to complete in Q2 2022, will see an investment in 75 new mobile homes, a new campsite entrance and Reception, and a new Illy Café.

These investment projects will further strengthen the Group's presence in these attractive locations.

GRAND HOTEL BRIONI

The Grand Hotel Brioni Pula 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.

Business review continued

Germany

Total value of German property portfolio[1]

£87m

2020: £87m

Property portfolio

The Group's portfolio in the region 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], 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

The region showed varying signs of recovery as the year progressed, supported by the markets reopening and the continuation of vaccination programmes. As restrictions were eased in the third quarter, the Group saw good demand for weekend leisure business. Park Plaza Nuremberg and art'otel Cologne performed better than the Group's Berlin hotels due to a strong domestic leisure demand for these destinations. Business travel remained subdued. Rising infection rates in Germany resulted in the increasing of restrictions in the autumn and the cancellation of Christmas markets and fairs which typically support demand for guest stays.

As demand improved, measures were taken to mitigate labour constraints, including an increased focus on recruitment from international markets, increased recruitment activity through digital platforms, sharing resources with Croatia and Hungary and more housekeeping services were brought in-house to reduce exposure to third party agencies.

Total revenue was €7.7 million (2020: €8.7 million). RevPAR was €23.8 (2020: €26.0), due to a sharp fall in occupancy to 26.5% (2020: 27.1%). Average room rate reduced by 6.3% to €89.8 (2020: €95.9).

EBITDA was positively impacted as the Group continued to utilise government grants to support payroll expenses ('Kurzarbeit' German state scheme) and received fixed costs subsidies until August 2021, which amounted to €9.8 million (£8.4 million).

German hotel market

The hospitality industry continued to be negatively affected by the pandemic in 2021, with hotels in our markets closing completely or having their offerings severely restricted. These inconsistencies in the market have made performance comparisons, at a hotel competitor set level, unpredictable and unreliable. However, at a Country/City market data level, we can see the year-on-year changes. Below is based on full inventory availability versus 2020. The impact on the German market was a 7.0% increase in RevPAR to €27.6; a result of an 8.1% increase in occupancy to 30.8% and a 1.0% reduction in average room rate, to €89.5. Berlin, our main market in Germany, improved 19.5% in RevPAR to €28.8. Occupancy increased by 21.2% to 34.6% with a reduction in average room rate of 1.4% to €83.2.

Financial performance

Germany	Reported in GBP[2] (£) Year ended 31 Dec 2021	Year ended 31 Dec 2020	% change	Reported in local currency Euro (€) Year ended 31 Dec 2021	Year ended 31 Dec 2020	% change
Total revenue	**£6.6m**	£7.8m	(14.6)%	**€7.7m**	€8.7m	(11.5)%
EBITDAR	**£6.7m**	£(0.3)m	N/A	**€7.8m**	€(0.3)m	N/A
EBITDA	**£6.7m**	£(0.3)m	N/A	**€7.8m**	€(0.3)m	N/A
Occupancy	**26.5%**	27.1%	(60)bps	**26.5%**	27.1%	(60)bps
Average room rate	**£77.1**	£85.3	(9.6)%	**€89.8**	€95.9	(6.3)%
RevPAR	**£20.4**	£23.1	(11.5)%	**€23.8**	€26.0	(8.3)%
Room revenue	**£5.3m**	£6.0m	(11.7)%	**€6.2m**	€6.8m	(8.5)%
EBITDA %	**100.8%**	(3.3)%	10,410bps	**100.8%**	(3.3)%	10,410bps

1 Independent valuation by Savills in December 2021 with the exception of Park Plaza Wallstreet Berlin Mitte which is measured at book value.
2 Average exchange rate from Euro to Pound Sterling for the year to December 2021 was 1.17 and for the year to December 2020 was 1.12, representing a 3.6% 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.

Other markets
(Italy, Hungary, Serbia and Austria)

Due to the Group's recent acquisitions, the German portfolio will now be reported on a standalone basis, with the performance of the Group's properties in Austria, Hungary, Italy and Serbia, reported separately.

In line with the Group's strategy to expand its presence across Central, Eastern and Southern Europe, the Group has had an exciting 24 months, with new acquisitions in Belgrade (Serbia), Nassfeld (Austria) and Rome (Italy).

Rome, Italy

In November 2021 the Group entered the Italian hotel market with the €33.1 million (£28.3 million) acquisition of the Londra & Cargill hotel, a 4-star property in a prime central location in the city of Rome. Rome is one of southern Europe's key gateway capital cities which offers robust fundamentals for hotel investment over the medium to long term. The Group has continued to operate the hotel, which currently offers 101 rooms and suites, a restaurant, bar, meeting facilities and private parking. Plans are being finalised to reposition the property to an upper upscale lifestyle art'otel and increase the number of rooms from 101 to 110. The Group expects to relaunch the hotel in early 2023.

Nassfeld, Austria

In December 2021, the FRANZ Ferdinand Mountain Resort Nassfeld in Austria was acquired for approximately £12.8 million. The property is superbly located next to the valley station of the Nassfeld Ski Resort in Carinthia, providing access to 100 kilometres of ski slopes. This 4-star hotel offers 144 family rooms, a restaurant, bar, conference rooms, private car park, wellness and sauna and children's facilities. The acquisition also included a detached property consisting of 21 rooms currently used as employee accommodation, and a site adjacent to the hotel, currently in use as a terrace, which is earmarked for future development of a swimming pool. The transaction was completed prior to the start of winter season 2021/2022.

Belgrade, Serbia

In December 2020, we completed the acquisition of 88 Rooms Hotel near the old town of Belgrade in Serbia. We subsequently reopened the hotel in May 2021 when the markets started reopening. During the period the Group received approximately £4,300 (DNR 587,105) in payroll grants. We are currently developing plans to refurbish and relaunch this hotel in due course.

Budapest, Hungary

art'otel Budapest in Hungary was closed throughout the year (and remains closed) due to low levels of demand resulting from government lockdown measures. The Group utilised a government scheme which provided 50% payroll support during the first five months of the year at a value of approximately £39,000 (HUF 16.2 million). The Group has started to prepare refurbishment plans for this property in 2021.

Management and central services

Our performance

Revenues in this segment are primarily management, sales, marketing and franchise fees, and other charges for central services. These are predominantly charged within the Group and therefore eliminated upon consolidation. For the year ended 31 December 2021, the segment showed a negative EBITDA as both internally and externally charged management fees did not exceed the costs in this segment.

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

	Reported in GBP (£) Year ended 31 Dec 2021	Year ended 31 Dec 2020
Total revenue before elimination	**£18.0m**	£14.4m
Revenues within the consolidated Group	**£(14.3)m**	£(11.6)m
External and reported revenue	**£3.7m**	£2.8m
EBITDA	**£(7.6)m**	£(11.3)m

Stakeholder Engagement

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

OUR GUESTS

Welcoming back our guests after the closures at the end of 2020 was our driving passion for 2021. We understood that whether we were reconnecting with familiar faces, or bringing in new clientele, that the priority was the highest possible standard of health and safety.

Creating social distancing measures and other ways of reducing exposure to risk of infection involved measures to minimise physical contact as much as possible through digital services.

Why they matter to us:

We put guests at the heart of everything we do. Our vision to create great experiences, value for all our stakeholders, and make a positive contribution is only possible if we start with our guests' needs first.

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.

How we engaged
Creating memories
As we began to reactivate our hotels in early 2021 with the easing of restrictions in different locations in the UK, Netherlands and rest of Europe we conducted some exciting activities in our hotels and offices. This included 'The Big Welcome' onboarding programme and 'Creating Memories', our new service delivery programme. Our service delivery programme has been designed to support our guest-facing team members to engage and create valuable memories for our guests. This programme is also linked to our 'We are Creators' culture programme which is attended by all new starters who join the Group.

All hotel delivery teams 'Inspirators' in the UK and Netherlands hotels were fully trained on the content of this programme and provided all the materials necessary to facilitate these inspiring sessions in the hotels. The objectives of the 'Creating Memories' programme were:

- to further embed the 'We are Creators' culture to ensure it influences our service style and standards;
- to integrate our new digital experience so that our technology developments evolve and enhance our guest experience;
- to constantly improve our guest experience; and
- to form part of our 'Big Welcome' onboarding programme.

We continued to gain thorough insights from our guests through our different channels for receiving feedback and in 2021 we received 43,697 online responses. This valuable feedback allowed us to ensure continuous evolution of our offerings and services by:

- creating 'Go Digital', our suite of digital services, allowing a seamless contactless arrival, in-stay and departure experience for our guests. These included online check-in, online ordering of food and drinks, self-service option for booking facilities and live guest messaging via WhatsApp. These initiatives led to the Group being shortlisted in the 'Technology innovation – Traveller experience' category for the Business Travel Awards Europe 2021;
- ensuring access and ease-of-use of our website and loyalty programme;
- frequently adjusting our booking terms and cancellation policies;
- renewal of the SGS accreditation obtained in 2020, as well as additional accreditations for the owned/managed category in the UK from the AA 'COVID confident', VisitBritain 'We are good to go' and MIA 'AIM secure', underwriting our new health and safety protocols;
- continuing to engage with guests and team members by regularly sending newsletters, social media posts and website updates on changes in local legislation and health and safety measures;
- receiving updates from our dedicated guest service team specifically to engage with guests and gather insights on our products and services from guest reviews, surveys and posts on social media; and
- engagement through social media contests and promotions and real-time interaction with guests.

OUR INVESTORS

Why they matter to us:

Without our investors, nothing can be achieved. Ensuring our investors are confident in our long-term ability to create value and our short-term ability to respond to crises such as those created by the COVID-19 pandemic is critical to delivering our strategy.

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.

How we engaged
Investor roadshows
Our 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 can be fed back to the Board. The roadshows involved discussions of our pipeline and future growth.

Our investors proactively sought out information from us on environmental, social and governance ("ESG") matters, and we enjoyed a productive correspondence with investors directly, and indirectly through investor information services, to bring more and more of this information to the market.

Our Senior Independent Director, Nigel Keen, has also met with investors.

OUR TEAM MEMBERS

Why they matter to us:

Our team members are creators of all our guests' experiences. In a challenging year, with periodic travel restrictions and other pandemic-related difficulties affecting our business, investment into our talented team members demonstrated its value.

As we began 2021 in lockdown, we were still continuing to adapt to the unprecedented environment and the pandemic scenario. The Board's focus was implementation of plans and procedures to gradually reopen our properties and create growth opportunities as the impact of the pandemic began to ease.

Stakeholder Engagement
continued

OUR TEAM MEMBERS CONTINUED

Our enhanced safety protocols are our way of reassuring team members and guests that they are looked after and welcome to once again enjoy our hotels and services. We were eagerly looking forward to getting back into the business of helping create valuable memories for our guests.

Results of the pulse surveys which measured engagement were shared and reviewed by the Board. We chose to have a different set of questions tailor-made to the circumstances of that moment. Results show that team members felt leadership was really prepared for (re)opening and were up to the challenge of managing our new ways of working.

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. The ongoing travel restrictions in place during 2021 made this less practicable. In addition, some sites were in use as quarantine hotels for part of the year, which precluded site visits during those periods.

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.

How we engaged:

- Site visits to hotels in London by all Non-Executive Directors.
- Regular and frequent site visits to all locations by the Chairman and the Chief Executive Officer.
- Regular site visits in the Netherlands by the Chief Financial Officer and Executive Directors.
- Establishment of a new employee forum in the UK, and continued engagement with our Works Council in the Netherlands.
- Reopening and re-engagement programme 'The Big Welcome' to connect and refresh our relationships with team members following lockdown.
- Re-boarding programme 'Welcome Back!' aimed at enabling our team members to return confidently to their workplace and feel engaged, safe and compliant.

Read more about the engagement calendar of our Non-Executive Director responsible for Workforce Engagement on page 91.

In 2020, we had launched the Responsible Business communities programme and the intention was for the Non-Executive Directors to participate in this programme and work directly with the newly appointed hotels' Responsible Business ambassadors for most of the hotels. This initiative has been rescheduled to 2022 when the pandemic situation improves. Throughout the period, the Deputy Chairman has acted as a dedicated workforce engagement Board member. This has meant that the Board has received updates on the welfare of our team members, and of the success of preserving employment wherever possible during closed periods.

Following the disruption caused by the business closures during the pandemic and extension granted by the Equality and Human Rights Commission, UK, and the Government Equalities Office, UK, in the prior year, the Group published its gender pay gap report for 2020 in late 2021 and it is available on our website. Our statutory gender pay gap report for 2021 will be available on our website.

2021 saw us take advantage of the easing of restrictions in the spring and summer to increase our engagement levels. We found new ways of working, brought team members back from furlough, and we were very proud of the measures taken to re-employ team members whom we had regrettably been forced to make redundant during the pandemic.

The use of the furlough scheme allowed us to avoid as many redundancies as possible, and re-employ staff. In the Netherlands the NOW scheme supported us in avoiding redundancies. While scaling up as part of the reopening and reengagement programme, 'The Big Welcome', team members were approached and re-hired where possible.

To facilitate workforce engagement, we are introducing new mechanisms for communication up and down the management chain. An employee forum was established in the UK region to bring it more closely into line with other regions with Works Council representation.

Looking after our people

We delayed redundancy and furlough decisions until we could make the right choices with a support strategy and infrastructure in place to retain our talent and reassure our people through employment, deployment, and furlough. From the beginning, we have had our teams' safety and welfare at the heart of everything we do, including:

- ongoing support for our team members' health and well-being through our (free-to-access) employee assistance programme; and
- increased number of trained mental health first aiders in the UK.

Keeping connected

Whether our team members were working or still not able to do so yet, we had made it our priority to keep in touch with as many as them as possible throughout, and continued to do so after they returned with:

- digital weekly newsletters and updates on our intranet;
- organised show rounds so they felt safe and confident;
- regular one-to-one check-ins with their line managers; and
- short and effective pulse surveys conducted in the UK and Netherlands to monitor how they are doing and what more we can do.

Getting back to work

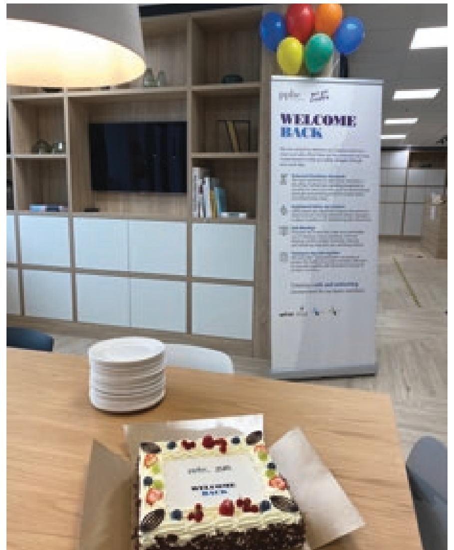
Our priorities of respecting well-being, safety and mental health have enabled us to balance business implications and safety needs to successfully reactivate our hotels and offices across all our regions:

- In March 2021 we won the Springboard Award for Excellence and for Best Management Preparation for our '(Re) Connect & (Re) Create' programme.
- Our 'Welcome Back' programme was updated and fully activated so that no one returned to work without the necessary training and preparation to do so including:
  - carefully crafted protocols and guidelines to keep team members safe and secure while at work;
  - flexible start times and staggered arrivals to avoid busy travel times when getting to work; and
  - increased bike storage for those team members who didn't want to use public transport in the UK.
- This hard work on the part of our 'People & Culture' teams was rewarded in the UK by the 2021 Cateys award for employer of the year.

Looking forward

There is no doubt that our future is bright, exciting and vibrant. Because of everyone's contribution throughout 2021, we were in a strong position to:

- develop our people;
- open new hotels; and
- take on new management contracts and implement new technologies.



Stakeholder Engagement continued

LOCAL COMMUNITIES

Why they matter to us:

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

In a period where restrictions on travel meant that our hotels were more dependent on domestic customers, this investment in our communities showed its value.

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

How we engaged
- In the UK, we participated in the NHS secondment programme and our team members were working in different roles to support the NHS.
- In several regions, we provided support to healthcare workers, such as food and accommodation.
- Engaged with London schools and colleges on careers in hospitality.
- In Amsterdam, provided space for classrooms to allow lessons to be socially distanced.

For more information on how we engage and support our local communities, please see the 'Our Places' section on pages 79 to 81

AFFILIATES

Radisson Hotel Group
We continued to build our long-standing successful partnership with the Radisson Hotel Group in 2021. We believe that the strength of this relationship can and should be utilised to expand our development aspirations.

Why they matter to us:

Radisson Hotel Group is a key business partner. We cooperate in vital infrastructure such as our central reservation system, the Radisson Rewards™ loyalty programme and our online booking presence.

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.

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.

How we engaged:
All Group hotels were invited to participate in Radisson's 'Responsible Business' survey in 2021. This will allow hotels to benefit from central data upload giving us peer-to-peer benchmarking accessible through a 'Responsible Business' dashboard at the end of Q1 2022.

As part of the carbon neutral meetings initiative launched by Radisson Hotel Group, all meetings booked and held between 18 October 2020 and 31 January 2022 were carbon negative.

By making our meetings carbon negative for this limited period of time, we went above and beyond our carbon neutral promise.

For more information on carbon negative meetings, please see 'Our Planet' section on pages 82 to 89.

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.

How we engaged:
- Ensured orders were split between suppliers wherever possible to help sustain the largest number of business relationships possible.
- Reviewed internal practices and policies, including updating the Responsible and Ethical Sourcing Policy.
- Worked to maintain valuable relationships in a time of uncertainty.
- Maintained supplier relationships and open dialogue throughout the year.
- Worked with suppliers to pause contracts while working through the impact of disrupted supply chains and gently reactivated contracts as and when both parties were able to support or it became a business critical need.
- Worked closely with suppliers on those contracts which did need to be in place so that they were able to trade through; changing delivery days, and changing frequencies so that we were protecting our key supplier partners which in turn protected us.
- Stretched some contracts out over a longer period of time so that we had certainty of pricing where possible and suppliers had certainty of custom, protecting us and protecting them.
- Ensured that orders were split between nominated suppliers where possible to help sustain the largest number of suppliers as possible.

Responsible Business

Inbar Zilberman
Chief Corporate & Legal Officer

CREATING INSPIRATIONAL HOSPITALITY

OUR INTANGIBLE SOURCES OF VALUE

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

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

Our Planet:
Our Planet which provides for our every need

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

While the pandemic has presented numerous obstacles for our business, it has also provided an opportunity for rebuilding business in a manner that will foster a brighter tomorrow

As we have navigated our way through this period of recovery, our actions have been guided by our Responsible Business goals. The manner in which we reengaged our team members, reopened our properties and reactivated our operations were all informed by our purpose and goals.

The circumstances of the pandemic and the need to take difficult but essential steps to protect the future of the business, gave us a whole new awareness and appreciation for the direct impact that our decisions and business have on Our People, Our Places and Our Planet. While the pandemic has presented numerous obstacles for our business, it has also provided an opportunity for rebuilding our business in a manner that will foster a brighter tomorrow.

We were happy to turn a story of regrettably necessary redundancies during the pandemic into one of re-employing many of our team members and creating new recruitment opportunities in 2021. We were also aware of the feelings of nervousness and anxiety that may have existed in the workforce as they came back to work and emerged from lockdowns, and we made significant efforts to ensure that people felt comfortable performing their roles in our hotels and offices. This was done through continuing our comprehensive health and safety and well-being programme 'Reassuring Moments' and a number of new initiatives aimed at supporting the mental and physical well-being of our team as well as continuing to provide training and inspiring career opportunities aimed at promoting their development. We utilised a number of tools to remain in tune with the views of the workforce which in turn guided our approach and activities as necessary.

Find out more about these initiatives on page 77.

We also continued our approach of using hospitality as a tool to serve the communities in which we operate. By leveraging our experience and skills in providing excellent service and using innovative solutions in the delivery of this service where necessary, we were able to: support the NHS as well as hospitals and key workers across our regions during their time of need; ensure that mass events that lift morale in the communities in which we serve could go ahead within the challenging context of the pandemic; and support the government in facilitating essential travel in a safe manner.

Find out more about how we supported Our Places on page 79.

We also formed a new ESG Committee to whom the new data we collect will be reported and will help set targets for carbon reduction, and set the benchmarks by which our progress will be measured year on year to hold the business accountable. For the first time the Group's owned and managed hotels across the UK, the Netherlands and Germany became wholly reliant on electricity generated from 100% renewable sources, and we also launched our Task Force on Climate-related Financial Disclosures ("TCFD") reporting (see page 87) .
We welcomed the opportunity of greater transparency on our carbon emissions and strategy and for more meaningful engagement with the risks and opportunities presented to us by different climate change scenarios. We were pleased with the progress made in 2021 refining and further developing our environmental strategy. For the first time, the Group's hotels across the UK, the Netherlands and Germany became wholly reliant on electricity generated from 100% renewable source.

Find out more about how we sought to be responsible stewards of Our Planet on pages 82 to 89.

Our priority is to deliver a long-term, sustainable business model which adds value for our stakeholders and society as a whole. We look forward to continuing to build on the good work we have done to continue to create value for Our People, Our Places and Our Planet.

OUR PEOPLE, OUR PLACES AND OUR PLANET AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

In order to ensure that our organisational goals have universal relevance and significance, we have aligned our Responsible Business programme to the United Nations Sustainable Development Goals ("SDGs"). We relate our activities to all 17 of the SDGs, but we believe our purpose and values are most closely related to:

Responsible Business continued

Our People

OUR GOALS

- Linking development to learning.
- Attracting and retaining talent.
- Increasing diversity in the workplace.

Sustainable Development Goals

Our team members are central to our ability to satisfy our purpose of creating valuable memories for our guests. There can be no denying that the pandemic has been tough on all of us including our people. As we reengaged the workforce following lockdowns and welcomed new team members, we therefore prioritised taking the necessary steps to ensure that our people felt heard, looked-after and fully engaged with our vision and strategy.

Creating healthy and safe environments
As our team members returned to work, ensuring our hotels and offices were COVID-secure so that our people felt comfortable in carrying out their roles was a top priority for the Company and was a prerequisite to achieving our goals. In April 2021 we launched our specially designed re-boarding programme, 'Welcome Back!', aimed at enabling all our team members across the UK and Netherlands to return confidently to their workplace. This included a series of workshops, tools, materials, communication and a detailed training plan for all the teams in the UK and Netherlands.

Under the 'Reassuring Moments' programme which was launched in 2020, we continued our ongoing efforts to periodically update health and safety measures and provided training and protective equipment. In the UK and Netherlands we also partnered with local health services to provide complimentary lateral flow test kits.
In Croatia, Arena organised test sites across various locations to support guests and team members should the need arise.

Creating a culture that supports mental and physical well-being across the organisation is important to us. We endeavour to promote an environment where mental health and physical health issues are treated without stigma and where everyone feels supported.

As part of this we have continued to invest our efforts in growing our mental health first aiders programme in the UK and currently have 30 mental health first aiders who are on hand to assist any team members who may be struggling. We have also developed a programme of activities to support Mental Health Awareness Week and developed a mental health awareness training programme.

Meaningful engagement with our people
Staying in tune with the views and perceptions of our team is essential in order to take the necessary steps to retain talent and direct our People & Culture activities. We utilised pulse surveys to regularly measure team member satisfaction and make any necessary adjustments to our approach following feedback received. Examples of actions implemented in response to feedback received included: the development of an updated training programme to support ongoing learning and development; the continued use of company newsletters (an initiative started during lockdown) to keep team members informed on business developments; and the launch of a team member forum composed of elected representatives to assist in leadership and team member communication in the UK and continuing our partnership with the Works Council in the Netherlands.

Innovative recruitment
Given the current competition for the labour pool in the industry, we have had to adopt an innovative and novel approach in order to reach our goal of attracting the most talented employees. An example of how we leveraged this approach in the Netherlands was a mass recruitment event held at Park Plaza Victoria Amsterdam which involved inviting 46 potential candidates to participate in interviews held all over the hotel. Team members welcomed candidates in the same manner as guests to showcase the property and our culture with a view to

inspiring candidates to join our team. In the UK, we participated in the 'Introduction to Hospitality Recruitment' event in partnership with the Department of Works and Pensions with 700 candidates attending the event, 60 offers made on the day resulting in 42 new starters to showcase careers in hospitality at Park Plaza to young people in the community. In order to connect with new hires and drive cohesion in our teams following recruitment, we launched a new onboarding programme called the 'Big Welcome'. This is a new approach that is designed to create the best possible experience during the first three months of employment with a view to attracting and retaining the best possible talent and equipping them for long-term success.

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

We love developing people and that is why we have invested in our own internal apprenticeship academy. The Group's vision is to embed an apprenticeship framework giving us considerable flexibility and control over how best to train our apprentices, design our programmes and integrate our learning and development offering to suit a wide range of needs. In the Group, we offer multiple apprenticeship programmes at a variety of levels.

We also have an undergraduate placement programme which is an integral part of our talent development strategy. Our strategic goal is to develop our talent pipeline for the future, and this programme has a clear purpose as a method for growing our managers of the future.

Our People & Culture team also conducted periodic talent review meetings to identify gaps and development opportunities, identify high performers, promote internal development and progression and ensure a healthy talent pipeline. An online personal development review process was also launched to begin our journey to a full digital talent management approach that will facilitate aligning organisation and individuals' objectives, succession planning, career and personal development.
The process has a focus on a well-being check, training managers on giving feedback and listening skills, promoting engagement, goal-setting to drive ownership, all career and personal development. To assist with ongoing talent management, we also introduced 'Learn & Grow', our online learning and development system, which allows us to train and develop talent internally. Learn & Grow promotes self-directed learning, and encourages team members to develop career goals and plans for achieving them.

2021 AWARDS AND ACHIEVEMENTS

Best Management Preparation Award at Springboard Awards for Excellence

The Caterer Top 6 Best Places to Work in Hospitality

The Caterer Best Employer of the Year

HR in Hospitality HR Team of the Year

TRAINING AND DEVELOPMENT HIGHLIGHTS

Other highlights of our activities aimed at linking development to learning and retaining talent included:

- Apprenticeship Academy Programmes established in the UK for all our team members looking to develop and grow in the Company and 39 team members began their apprenticeships during the pandemic in 2021.
- Clinical cleanliness level 3 training programme provided for our housekeeping teams. We also offered 50 NCFE-accredited training courses for all our teams, ranging from 'Understanding Data Protection & Security' and 'Principles of Team Leading', to 'Understanding Behaviour That Challenges'.
- Enhanced standard pay for critical recruitment and retention needs in the UK: recruitment for key hospitality roles and pay enhancement was triggered by the low number of applications to our vacant roles. We conducted salary analysis comparing our offering to our competitors.
- One-off non-contractual loyalty bonus to most eligible new team members employed by the Company on or before 1 July 2021 who remain in employment by 30 June 2022 as a token of our gratitude for their support and dedication throughout the pandemic.

Responsible Business
continued

CHAMPIONING DIVERSITY AND INCLUSION

In our Group, we seek to promote an environment in which all of our team members are welcome and free to be themselves, no matter who they are, and we pride ourselves in authentic service that is reflective of the communities we serve.

We are proud to have a number of role models for diversity within our Company whom we actively seek to celebrate and champion wherever possible.

International Women's Day 2021
We are proud to share that on International Women's Day, Jennifer McCabe, General Manager of Holmes Hotel, London, joined a panel discussion which was initiated by the Baker Street Quarter Partnership. The Panel features women from the Quarter sharing their success stories, how they have been mentored in their careers and how they continue to develop their skills to keep moving forward.

Our Chief Corporate & Legal Officer was featured in the Women to Watch and Role Models in Hospitality, Travel & Leisure Index 2021.

In our Company, we value diversity and inclusivity. To celebrate and support the LGBTQ+ community, we ensure a safe and inclusive workplace – not just for Pride Month in June but 365 days a year. We were delighted that Park Plaza Vondelpark, Amsterdam, officially became certified by Booking.com as LGBTQ+ friendly. We are committed to offering inclusive hospitality and as part of this certification so we completed training to become 'Proud Certified'. Park Plaza Westminster Bridge, London, were proud to host attendees and nominees of the Pride of Britain Awards, which included actors, musicians, Olympians, Paralympians and other sports personalities. The awards ceremony is an annual event recognising unsung heroes across the UK, and is a star-studded event that is televised nationally.

OTHER AWARDS WON BY OUR PEOPLE

We are incredibly proud that, not only did Daniel Pedreschi receive his official Hotelier of the Year 2021 award in front of a packed Hotel Cateys audience, but our very own Olivier Ruiz won Head Chef of the Year. Olivier heads up the chef brigade at Park Plaza Westminster Bridge London, and has been an incredible asset to PPHE Hotel Group and Park Plaza.

In order to support inclusion wherever possible, we also introduced a number new employee policies on diversity, stress management and well-being.

Our Places

OUR GOALS

- Increasing our charity initiatives and volunteering.
- Contributions and investments in our local community.
- Engagement with our local community.

Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

We recognise that local business, education, arts, sports and culture are key pillars within our communities. In line with our purpose, we seek to support a diverse array of organisations and charities within these sectors in order to give back and add value to the communities in which we operate.

NHS secondment programme
Since the outset of the pandemic, our UK operations and human resources teams have collaborated with the UK National Health Service ("NHS") to provide support wherever possible. In 2020 we worked with the NHS to create a unique secondment programme for our team members allowing us simultaneously to support the NHS at a time when it needed extra resources and to maintain roles which otherwise would not have been needed while operations were limited. This initiative continued into 2021 with 172 team members seconded to St. Thomas' Hospital in London to support the NHS vaccination project in various roles. We want to thank our colleagues for their eagerness to lend their talents by participating in our NHS secondment programme.

Supporting local hospitals and helping our key workers
The pandemic highlighted how vividly dependent our communities are on key workers. We felt it was important to support them where we could and show our appreciation for their efforts in keeping key services running. Park Plaza Westminster Bridge remained open while the UK was still in lockdown in the first half of the year, with team members supporting key workers by providing them with accommodation services, meals and laundry services. At a time when staff shortages in the health sector was an issue, we also engaged 11 of our team members to provide support to a clinic in London, including across front-of-house, housekeeping and the clinic kitchen.

We were also pleased to see our colleagues in Croatia carry out a series of activities to help the local community with the pandemic crisis. Among those activities were contributing to the purchase of a vehicle by emergency medical services in Pula and furniture for a new pathology ward in a local hospital, as well as providing accommodation to doctors and specialists from local hospitals and clinics at Park Plaza Verudela and Splendid Resort.

ANONYMOUS TEAM MEMBER TESTIMONIALS

"Working for the NHS has been a pleasant experience for me. I had to deal with different people so I developed my human relationships to a greater level. Also I realised that I am capable of doing more things than I thought, as I have been assigned to various tasks over the months. I learned that helping others makes a big difference in their lives and definitely increased my confidence to work in a team. Also a positive side was that I was entitled to have some perks because of my NHS badge. Overall being with the NHS was a very good experience for me."

"I was scared to work there in the beginning, hospitals have always terrified me. When I started to work there I realised it is nothing to be afraid of. I had the opportunity to meet and work with some amazing people. Overall it was a very good experience and learned a lot."

"I want to start by thanking the Company for the opportunity to support with the NHS during the pandemic. It was a new, beneficial and unforgettable experience. It definitely helped me to develop my skills: especially communication and listening, innovative thinking, confidence and the self-belief to try something new."

Responsible Business continued

"We were allocated this hotel for quarantine. The staff have been amazing. Always friendly and helpful. Our room is very comfortable and has everything we need. Wi-fi is excellent. The food is plentiful and enjoyable. I am happy to have quarantined here."

(Park Plaza London Waterloo guest – TripAdvisor review)

Supporting the travel industry in its time of need
We were proud to support the UK Government with its plans to facilitate safe travel for those needing to travel during the pandemic. Park Plaza Waterloo and Park Plaza Victoria London operated as quarantine hotels for travellers arriving into the UK who were required to isolate. There was an unprecedented amount of planning required to ensure the hotels could participate in the scheme. This included stringent checks and inspections in order to assess the suitability of the hotels against the Government's requirements, and the implementation of complex cross-property food logistics in order to serve the volume of guests and the security staff on the sites. In the first week of operation, the teams at Westminster Bridge and Waterloo were preparing and serving up to 2000 meals a day for Park Plaza Waterloo guests and were able to serve over 350 room service meals three times a day in Park Plaza Victoria London. In addition, a full test and trace facility was set up on site and all staff and associated agency staff were tested daily as they came on shift. Given the somewhat strange circumstances of our quarantine guests' stay at our hotels, our team members endeavoured to ensure that each guest was given a particularly warm welcome and fully briefed on how their stay would work. We were pleased to see our efforts recognised by the positive online reviews received.

Supporting local business
The circumstances of the pandemic have led to an even greater need for us to foster a collaborative, flexible and innovative approach that prioritises the health, safety and well-being of guests when working with local businesses. An example of when we had to channel this approach in a unique and unprecedented way in order to work with a key local business to facilitate an event, was when Park Plaza Westminster Bridge London was awarded with the opportunity of being the exclusive host hotel for players and support teams of the 2021 Wimbledon Championships. We were proud to have been chosen, however, given the challenges of holding a mass international event as the country emerged from lockdown, we had to work very closely with the organisers of this sporting event to create a 'secure bubble' to address the pandemic risks. This included tailoring our services app and operations specifically for the event.

Within the London sporting scene, we have also continued our support of a local rugby club by sponsoring a board on the rugby pitch and offering favourable rates at Park Plaza County Hall during special events. There are also plans in place by the hotel to sponsor a youth development team in the future at the club. In Croatia, Arena continued with their long-standing initiatives to help sports clubs, athletes and specifically athletes with disabilities reach their full athletic potential. Arena provided support in the form of financial sponsorship and the use of sports facilities within our properties. They also continued with their support of selected cultural and sports events in Pula such as the Pula Film Festival, the international maxi cruiser regatta, the marathon and numerous musical concerts.

Wimbledon – Park Plaza Westminster Bridge London

71%
of all drink orders in the bar were received via the online ordering system

200
covers an evening delivered during dinner service, with no delays or issues

47%
of all room service orders were received via the app

Pressure on the operations team was reduced as a result, ensuring efficiency and speed of service

492
guest conversations via instant messaging, with each conversation averaging 2.9 interactions, resolved on average in 1.55 minutes

Supporting local people in need
Given the particularly disruptive impact that the pandemic has had on young people, during the year we have supported a number of initiatives benefiting young people as well as working with students and young people across the regions to share our expertise and provide career opportunities. In early 2022 the Group were proud to support a local UK newspaper's 'Step Up Skill Up' campaign to tackle youth unemployment in London by pledging 50 jobs in this fantastic scheme.

In London, we hosted a site visit for interior design students at the art'otel London Hoxton development site and also put on showcases in partnership with Springboard Charity UK at Park Plaza Westminster Bridge and Park Plaza County Hall, through which our teams shared their career journeys and offered advice to young people interested in pursuing a career in hospitality. We have also continued to work with a local academy school in London by donating laptops and providing regular work experience opportunities. We also continued to support a UK charity benefiting young people leaving foster or residential care, by supplying them with a venue for their award ceremony and hosting their Christmas lunch.

In the Netherlands, Park Plaza Amsterdam Airport supported a local school in being able to continue to educate children while observing social-distancing measures by providing classroom space for 400 students a day from March to April 2021. Park Plaza Victoria Amsterdam and Park Plaza Vondelpark, Amsterdam, also deployed additional team members to assist with cleaning and sanitising duties throughout the day. As a follow up, we were also in contact with their careers department to offer work placements to a new generation of school leavers. We also hosted internship events at Park Plaza Victoria Amsterdam to offer job opportunities in the hotel for hotel school students.

In the German region, team members participated in a number of grassroots initiatives in partnership with numerous local charities, including making contributions to a charitable organisation to support the people who were affected by the floods which destroyed parts of Western Germany in summer 2021.

As part of our more general efforts to support those vulnerable members of our communities who have been particularly impacted by the pandemic, we were also pleased to partner with Lambeth Council to join its annual 'Helping Hands' programme in December 2021. We brought together over 50 of our team members in Park Plaza Westminster Bridge London to prepare 2,000 hot meals during the Christmas week for distribution to elderly, vulnerable and homeless people in Lambeth and other parts of London.

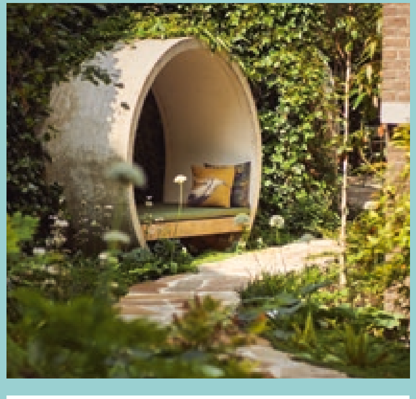
In response to the crisis in Afghanistan that unfolded in August 2021, our team members in Park Plaza Victoria London worked with several charities who were providing clothing, toys and other supplies for Afghan refugees. We provided facilities to sort the donations and hotel meeting room space for storage. Our team members also assisted with sorting through donations and distributing them to refugees.

As well as providing local hands-on assistance in the pandemic response, team members in Croatia were also able to provide ten, fully equipped mobile homes from its campsites to impacted communities within 24 hours of an earthquake striking Sisak-Moslavina County in July 2021.

Across the regions we also frequently donate complimentary stays at our hotels as prizes in charity fundraising galas. We were also pleased to hear of several grassroots initiatives spearheaded by team members who organised bake sales or otherwise raised money for a charity of choice.

Responsible Business continued

Our Planet



OUR GOALS

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

Sustainable Development Goals

11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

An area of focus

We are aware of the significant impact that tourism, travel and hospitality can have on the world around us and the urgency of the need to neutralise that impact. At a time when the importance of the development of sustainable business models and the need for businesses to reduce their carbon footprint has become glaringly obvious, we have sought to sharpen our resolve to achieving our environmental goals. As a Company that develops, owns/co-owns and manages many of our properties, we recognise that we have a unique opportunity to integrate sustainability into our business from the point of development all the way to day-to-day operations. While progress has been made, we recognise that there is still work to be done in structuring our business in a way that safeguards the planet for future generations and are committed to doing that work. We are also reviewing the manner in which we measure our progress and are looking at adding structure in this regard.

GREEN ACCREDITATIONS AND CERTIFICATES

The Global Sustainable Tourism Council recognises a number of environmental certification programmes. This gives stakeholders confidence in international recognition of environmental standards. We are supporters of these initiatives, and maintain certificates for our properties listed below.

THE NETHERLANDS

Green Globe

Park Plaza Amsterdam Airport
art'otel Amsterdam

Green Key

Gold
Park Plaza Vondelpark, Amsterdam
Gold
Park Plaza Eindhoven
Gold
Park Plaza Utrecht

UK

Green Tourism

Gold
Park Plaza Westminster Bridge London
Gold
Park Plaza County Hall London
Gold
Park Plaza London Waterloo
Gold
Park Plaza London Riverbank
Silver
Park Plaza Victoria London
Gold
Park Plaza Nottingham
Silver
Park Plaza Leeds
Silver
Holmes Hotel London

GERMANY AND HUNGARY

DIN EN ISO 50001:2018

Park Plaza Wallstreet Berlin Mitte
Park Plaza Berlin Kudamm
Park Plaza Nuremberg
art'otel Berlin Mitte
art'otel Berlin Kudamm
art'otel köln
art'otel Budapest

CROATIA

Travelife

Gold
Park Plaza Belvedere
Park Plaza Histria
Hotel Medulin

Blue Flag Beach

Yacht Beach, Park Plaza Verudela Pula

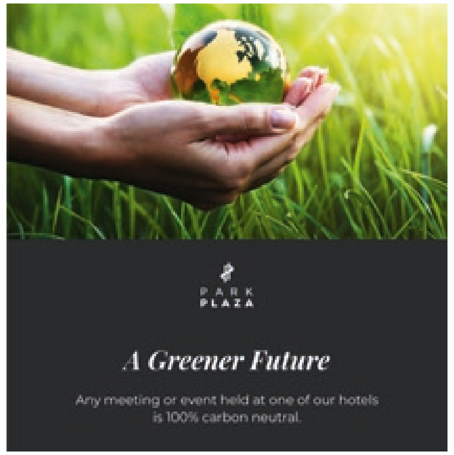
Energy and emissions

All locations in UK, the Netherlands and Germany have 100% renewable power

We are proud to announce that in 2021 the Group's owned and managed hotels across the UK, the Netherlands and Germany are now reliant on electricity generated from 100% renewable sources. All of these hotels have 100% of their electricity backed by UK REGOs, or European GoOs, as applicable, from a blend of renewable sources including hydro, wind, solar, biomass and landfill gas. This is a significant milestone in our journey towards a more sustainable future.

13 CLIMATE ACTION

Energy efficiency: 100% carbon neutral meetings



We are pleased to be working with Radisson Hotel Group and First Climate, one of the world's largest carbon offset organisations, on the carbon neutral initiative for meetings. Pursuant to this initiative, any meeting or event held at any participating Park Plaza hotel was 100% carbon neutral at no additional cost to guests. For each meeting, the carbon footprint was calculated and then offset through projects in Europe, Middle East, Africa, Asia Pacific and the Americas that combat climate change and contribute to sustainable development. At the final quarter of 2021, Radisson also launched a carbon negative initiative for meetings and events held up to 31 January 2022 in which the majority of our hotels participated. Pursuant to this initiative, double the carbon emissions produced by a meeting or event were offset, making them carbon negative.

Energy efficiency measures in our hotels

Heating and cooling represents the majority of our energy consumption. Continual improvement of energy efficiency is a key target for us and our guests and team members are empowered to participate in our common goal to reduce energy consumption. For further details of energy efficiency measures across our hotels refer to page 85.

Water stewardship

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

The Group's commitment to reducing water consumption across the regions continued in 2021. The water conservation measures carried out in different hotels included: raising awareness of our 'Save Tomorrow, Today' linen and towel reuse programme that rewards guests for opting out of daily linen cleaning services; ozone cleaning of guest rooms and introducing a new three-day room cleaning cycle; use of washable and reusable items instead of disposable items in guest rooms.

Biodiversity

Biodiversity plays an important role in the lifespan of a hotel. This ranges across: restaurant food; wood used in hotel furniture; spa amenities; green spaces; and the conservation of animals and birds in the a hotel's public areas and gardens. Incorporating biodiversity considerations in planning and operational decisions for a hotel and resort is a key factor for the continued sustainability and conservation of the ecosystems in which we operate.

Hotel for bees

Bees play a critical role in healthy ecosystems and through their pollination, they are essential for production. Sadly in recent years, changes in our environment have meant that bees are significantly declining in numbers. Since 2019, Park Plaza London Waterloo, together with Barnaby Shaw from Bee Urban, creates a safe haven atop its fourth floor, giving the bees an opportunity to form colonies and produce local honey, while leaving the bees with ample honey to thrive.

Green hotels

In the Holmes Hotel Greenhouse Terrace, our team members grow fresh herbs, fruit and vegetables which are available in the hotel restaurant and 106 Coffee Shop.

Arena participated in the Croatian national campaign, 'Plant a tree, don't be a stump', and donated seedlings for educational institutions in the Pula area. In this way, Arena helped reduce the impact of climate change. As part of this project, local kindergarten children helped our team members to plant pine trees in the Arena One 99 Glamping site in an effort to educate future generations on the importance of being responsible stewards of the planet.

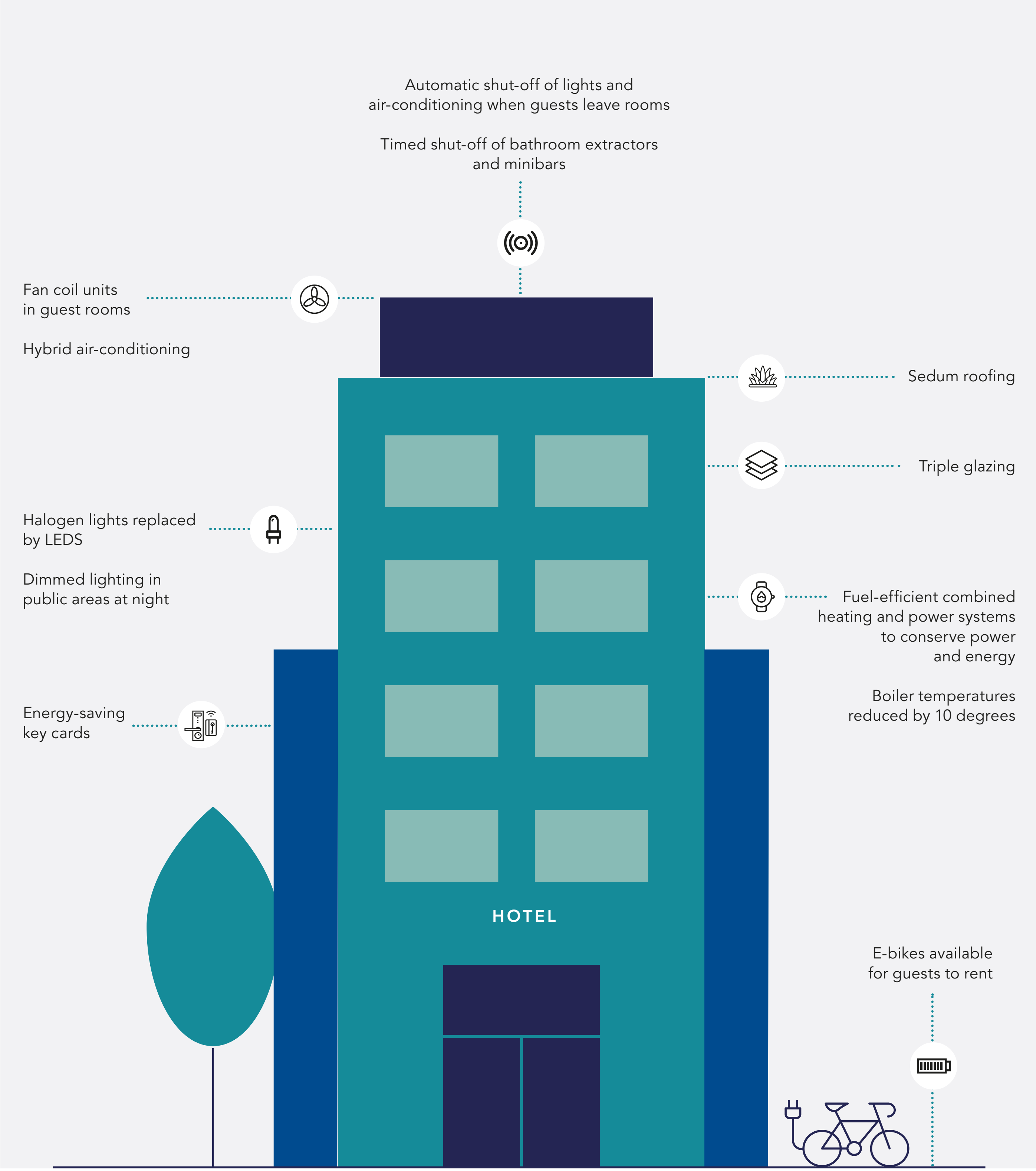
Responsible Business Our Planet
continued

Waste and use of resources
Our dedicated green team members are committed to carrying on waste management and recycling activities in all our properties. Some examples of waste management in the hotels and in the regional offices include: recycling, using biodegradable straws, promoting online services (check-in/check-out/mobile key, etc), reducing physical menus (using QR codes), making use of digital authorisation of invoices which reduces the amount of printing required, implementation of new systems such as Raet, Dyflexis and Eversign which reduces paper usage, certified low-impact paper napkins, minimising food waste by being more creative in the kitchen with new recipes, eco-friendly shampoo, shower gel and other bath products available in guest rooms, use of bio-degradable detergents, recycling glass, mixed recycling and food recycling on property, waste disposal and reduced pickups constantly based on occupancy levels, food digester for food waste disposal, batteries and light bulbs recycled, no vegetables or meat/fish products accepted in plastic, all food items to be delivered in cardboard only, no paper TV guides in guest rooms (as these are all available directly in the TVs), reusable laundry bags in guest rooms and many more.

Sustainable development
UK
For properties in development, sustainability is key. In the UK, the Group is on-target to achieve an 'Excellent' Building Research Establishment Environmental Assessment Method (BREEAM) sustainability rating for art'otel London Hoxton.

Croatia
In Croatia, in preparation for the refurbishment of Grand Brioni Hotel, Arena changed one-and-a-half kilometres of old water pipes, which supply the Punta Verudela peninsula. This significant improvement of infrastructure resulted in lower water consumption due to better monitoring and no leakages. As part of that project, Arena installed one-and-a-half kilometres of new gas pipes that now supply the properties located on Punta Verudela with natural gas. This enabled Arena to use a more environmentally friendly energy source for their hotel boiler rooms and kitchens. These activities reduced our environmental footprint by reducing our energy consumption.

ENERGY EFFICIENCY MEASURES ACROSS OUR HOTELS



Responsible Business Our Planet continued

SUSTAINABLE DEVELOPMENT CASE STUDY – GRAND BRIONI HOTEL, CROATIA

Roof with thermal insulation and new aluminium joinery to improve the physics of the building

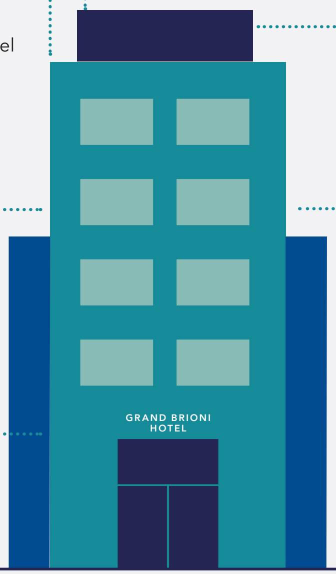
Heating/cooling system via high-efficiency air/water heat pumps and condensing gas boilers, with partial recovery of waste cooling heat for domestic hot water heating

Forced ventilation via air chambers with heat recovery from waste air

Installation of LED lighting fixtures throughout the hotel with a centralised lighting management system to save energy

Installation of sanitary fittings with low water consumption

New facade



Implementation of the smart room system to increase guest comfort and energy savings

Implementation of a central monitoring system for the management of thermo-technical installations and remote reading of electric meters for the rational use of energy

Implementation of a remote water consumption reading system to control and reduce losses

SUSTAINABLE DEVELOPMENT CASE STUDY – REFURBISHMENT OF ARENA GRAND KAŽELA CAMPSITE

Procurement of low-energy mobile homes, with built-in thermal insulation of the facade and roof

Heating/cooling system in solid buildings and mobile homes via high-performance VRF and split systems

Preparation of domestic hot water in sanitary facilities via condensing gas boilers, air/water heat pumps and solar collectors

Installation of LED lighting fixtures in toilets, solid buildings and mobile homes

Implementation of a remote water consumption reading system to control and reduce losses

Construction of a new facade on solid structures, as well as a roof with thermal insulation and new aluminium joinery to improve the physics of the building

Reverse osmosis seawater system for the production of sanitary water for irrigating green areas and filling the swimming pool, with remote monitoring and control of the operation of the irrigation and osmosis system to reduce water consumption

Installation of sanitary fittings with low water consumption in sanitary facilities, solid buildings and mobile homes

TCFD Reporting – A new way to engage

Changes to the Listing Rules have led to new ways to engage with our impact on the world around us. TCFD reporting is now mandatory, and we are pleased to provide this summary of our first annual TCFD report, the full version of which is published on our website. We have covered in summary all aspects of our TCFD report here. Where space prevents us going into further detail, we will make reference to the full report. We welcome the opportunity for progress afforded by the new regime which provides a framework allowing investors to compare businesses in their portfolios on an equal footing and facilitates meaningful engagement with the risks and opportunities presented to us by different climate change scenarios. We also welcome the opportunity to be transparent about how our business is rising to the generational challenge of climate change.

This section summarises our climate-related financial disclosures from the standalone 2021 TCFD Report, published online. Building on our Responsible Business reporting, TCFD represents the next step in our journey of improving our sustainability and transparency as a business.

The TCFD guidelines set out a framework for disclosing climate-related risks and opportunities, split into four core elements: governance, strategy, risk management and metrics & targets. Following the recommended disclosures ensures climate change considerations are embedded throughout our business.

The Group has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures. With regards to metrics and targets, we are in the process of setting carbon reduction targets based on an emissions reduction pathway to reach net zero by 2050 at the latest. The standalone 2021 TCFD report will be published on our website by April, providing more granularity on our climate-related risk management processes.

Overview – Where do we stand with TCFD?
We recognise that climate change is a complex issue and acknowledge our responsibility to minimise our impact on the planet. We have been tracking our energy use and emissions since 2011 to guide us in reducing our consumption.

This year we have focused our efforts on three key areas. First, to understand our Scope 3 emissions to set carbon emission reduction targets. Our Scope 3 inventory is published in our 2021 TCFD report. Second, to integrate climate risks into our risk management framework using climate scenarios to determine the material climate risks to our operations. Third, to strengthen our climate-related governance with the first meetings of our ESG Committee.

Governance – Ensuring accountability and responsibility for climate-related risks.
At PPHE, the management of climate-related topics is integrated into our existing governance structures and processes to ensure it is part of everything we do. We have a collaborative governance approach that starts with our Board and cascades to every aspect of our business via our executive vice-presidents, (regional) general managers, hotel managers and hotel Responsible Business teams, ultimately reaching all team members.

As with all matters that may present challenges to our business model, the Board has overall responsibility for climate-related issues, including risk management. The Board has delegated responsibility for developing and evaluating climate-related policies to the ESG Committee. The Audit Committee oversees and advises the Board on the Group's risk exposure, risk appetite and future approach to risk.

Our ESG Committee met for the first time in 2021. It supports the Board by reviewing and monitoring the processes for setting climate-related targets and collecting the data and information required to support the TCFD reporting and strategy.

The Audit Committee also assists the Board by monitoring financial and non-financial climate-related risks. It is responsible for tracking changes in this area that could alter the risk profile.

Full details of how climate-related matters are managed, including Committee members and Executive Leadership Team roles, are available in our 2021 TCFD report.

Strategy – Building climate resilience into our business strategy.
We understand that the way we do business can significantly impact the world around us and that we all have an increased level of responsibility in this area. Assessing our impact on the world around us is essential to our Board.

The TCFD recommendations will help us better understand the climate-related risks we face and inform how we monitor and manage climate-related risks and opportunities.

Responsible Business Our Planet
continued

Climate scenarios help us assess the future impacts of potential climate change pathways on our business. Scenarios enable us to evaluate our operational resilience to climate-related issues under a range of uncertainties and future states. We modelled our climate scenarios across three potential futures using the CORDEX, CLIMADA and IAM models .
We modelled climate data for the 16 cities across Europe where we have hotels.
The scenarios were:

- <2°C by 2100; high levels of transitional risks but limited physical risks
- 2-3°C by 2100; the highest level of transitional risks with some physical risks
- >3°C by 2100; limited transitional risks but the highest level of physical risks.

For each scenario and risk, we assessed how impacts might change over the short-term (0–5 years), medium-term (5–10 years) and long-term (10–15 years). The impacts inform our internal climate risk framework.

Our analysis determined that climate change presents four key transitional risks (Table 1). Full details of our climate-related risks can be found in our 2021 TCFD report.

Risk management - Embedding climate into our risk management framework.
We have recognised climate change as a risk formally since 2019, both as an independent risk and for its potential to exacerbate several principal risks. Our well-established risk registry prioritises each risk based on assessing impact, likelihood, and mitigation actions.

Enterprise risk assessments are reviewed quarterly. Assessments and reviews evaluate the potential financial costs of each risk.

To ensure we understand the severity of each risk, we align the identified climate-related issues with our Enterprise Risk Management (ERM) programme. An executive or senior manager is assigned responsibility for each risk to introduce sufficient mitigation measures, or to adapt the business to opportunities.

This year we engaged with a third party 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. Overall, our risk level was low, and key risks are outlined below. All risks identified are detailed in our TCFD report.

Physical risks
We identified 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). Rising mean temperatures are almost certain to happen, but the impact on our operations are deemed to be low. We will continue to monitor this. The other risks were not considered likely in the short-to-medium term. We will continue to monitor these and implement mitigation actions as necessary. Existing controls including insurance and crisis management plans will continue to be assessed for adequacy.

Transitional risks
We identified four transitional risks for which we already have mitigating actions in place, shown in Table 1. Two other transitional risks were identified, which we are monitoring: increased regulation and potential cost and disruption from phasing out non-renewable energy sources.

Table 1: 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)

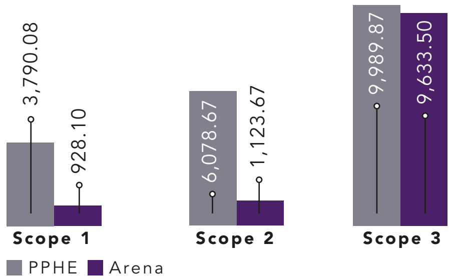
1 CORDEX: Co-ordinated Regional Climate Downscale Experiment – this model applies the methodology to localities of approximately 1,000 x 1,000 km permitting more localised analysis than global models, and more appropriate to local landscapes.
CLIMADA: a probabilistic climate risk assessment tool. Users can create impact data customised to their own data inputs.
IAM: Integrated Assessment Models are used to evaluate the technological and economic feasibility of climate goals.

Metrics & targets – Measuring and managing our climate impact.
This year we calculated our Scope 1, 2 and 3 emissions for PPHE and Arena Hotel Group available in our separate TCFD report.
Our Scope 3 emissions cover all our emissions within our value chain, including those from upstream and downstream activities. Understanding our total emissions gives us a strong starting point on our carbon reduction journey, which is a top priority for the Group in 2022 and beyond. Emissions and energy performance are the metrics we use to assess our progress.

We are in the process of setting emission reduction targets. In 2022, we will commit to setting at least near-term targets through the Science Based Targets initiative (SBTi).
We acknowledge the net-zero targets that are in place in the jurisdictions in which we operate and aim to align with these ambitions. In 2022, we will undertake further work to establish pathways to achieve these targets and to be net zero by 2050 at the latest.

We engage external specialists to determine our carbon emissions to ensure accuracy. The Greenhouse Gas Protocol is used as the basis of the calculations for our Scope 1, 2 and 3 emissions. This year, we have calculated our full carbon balance sheet for the first time, which includes our upstream and downstream value chain. This is our first step towards setting targets according to the standards of the SBTi, which we plan to submit in 2022.

The chart below compares carbon emissions between 2021 and 2020 for the PPHE and the Arena Hotel Group. Scope 1 and 2 emissions have risen slightly compared to 2020. This is due to the impact of the pandemic on the business in the previous year and our gradual reopening in 2021. Scope 3 was calculated for the first time in 2021. Full details are available in our 2021 TCFD report.



Our Goals
Emissions:
- Net zero by no later than 2050.
- We are in the process of gathering the data to set Science Based Targets (SBTs) to reduce our direct and indirect GHG emissions (Scope 1 and 2). We plan to commit to setting SBTs in 2022.
- Understanding our Scope 3 emissions and working with our suppliers to lower carbon emissions.

Sites have been identified for detailed assessment during 2022. These will be surveyed for upgrading infrastructure to reduce carbon output

Water:
- Monitoring and managing water use in our properties to reduce water consumption.
- We are encouraging the use of our 'Save Tomorrow, Today' programme.

Environment:
- Developing a climate policy is the responsibility of our ESG Committee.
- We reduce our environmental impact by reducing our waste and optimising how we use resources.
- We are increasing the use of ethically sourced and eco-friendly materials across our properties.

SECR reporting
In compliance with the UK government Streamlined Energy and Carbon Reporting, UK Scope 1, Scope 2 and Scope 3 emissions, intensity ratio and yearly comparisons are provided below.

Emission Type	Total Volume (kWh)	Calculated Emissions (Tonnes of CO_2e)
Scope 1 (direct)	20,280,122	3,725
Scope 2 (indirect)	23,338,58	4,955
Scope 3 (indirect)	N/A	N/A
2021 Total	**43,618,708**	**8,680**
2020 Total for comparison	**39,991,198**	**8,379**

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

SECTION 172

Companies Act 2006 s.172
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 2021 can be found in the following sections of the Report:

- This corporate governance chapter
- Stakeholder engagement on pages 68 to 73
- Management of principal and emerging risks on pages 26 to 34
- The summary Task Force on Climate-related Financial Disclosures (TCFD) report on pages 87 to 89
- Statements from the Chairman and Deputy Chairman on pages 16 to 17 and 91 to 92

DEAR STAKEHOLDER,

I am pleased to present the Corporate Governance report for the year ended 31 December 2021.

As Deputy Chairman, my role centres around championing the Company's onward progress on its governance journey. I am, therefore, proud to report that the Group has remained focused and committed to delivering strong corporate governance to preserve the long-term sustainable success of the Group for the benefit of all of its stakeholders throughout the highs and lows of 2021. Governance has formed an intrinsic part in the infrastructure of our continued recovery from the effects of the pandemic. This was evidenced by: the formation of an ESG Committee to oversee the Group's ESG strategy and embed appropriate ESG policies; the increased frequency of interaction between the Board and the Executive Leadership Team and senior management to provide adequate oversight of the delivery of strategy; on the delivery of strategy; the updating of a number of key policies including the Whistleblowing Policy and Ethical Sourcing Policy and the active dialogue maintained with representatives of independent shareholders throughout the year which has resulted in our introduction of an advisory shareholder vote on the Remuneration report and Remuneration Policy at the next Annual General Meeting.

This report sets out how we have complied with and applied the principles and provisions of the 2018 Corporate Governance Code (the 'Code') throughout 2021 as well as providing a practical view of our approach to corporate governance within the operation of our business.

Leadership role
At a time when decisive and innovative leadership was paramount, the Board continued to provide the Group with entrepreneurial leadership within a framework of prudent and effective controls enabling risks to be assessed and managed alongside the strategic aims of the Group. Monthly business update calls between the Board, Executive Leadership Team and senior management assisted with the effective operation of our business within a volatile market. Sub-meetings attended by the Non-Executive Directors directly after these monthly updates, also provided the required forum for scrutiny, discussion and the identification of any necessary further steps required without the rest of the Board and Executive Leadership Team present.

Following the appointment of two new Independent Non-Executive Directors and an Alternate Director in 2020, the Board's focus in 2021 was on maintaining continuity and supporting the Executive Leadership Team and senior management in the many decisions they had to make to restore and increase business activity in a difficult trading and labour market. Our established governance policies and protocols served us well, providing structure during a disruptive period.

Board evaluation
An external review of the Board and its Committees was carried out by Independent Audit Limited in 2021. I am pleased to report that the results of the evaluation were positive showing that our formalisation of ESG management was appreciated, as well as identifying some areas for improvement in Board resourcing and subsidiary risk management. Full details of the process and outcome of the review are set out on page 100.

Board composition
The Nomination Committee keeps the combination of skills, experience, independence and diversity of the Board under constant review. As part of this year's succession planning, we identified that the Board would benefit from the addition of another Non-Executive Director to complement the existing skillset of the Board. A search is currently ongoing for a Non-Executive Director with this skillset and OSA Recruitment, the specialist external search consultancy assisting with the search, has also been instructed to take into account the diversity requirements of the Hampton-Alexander and Parker Reviews. Further details can be found on page 103.

Sustainability
We are on a continuing journey of embedding sustainability into our business model and recognise that this has become a moral, strategic and economic necessity. We, therefore, established a new ESG Committee this year to oversee our ESG strategy and TCFD reporting, assist the business in setting meaningful goals and measure progress against those goals. All aspects of our ESG strategy are formulated through the Our People, Our Places and Our Planet framework. Full details of the progress we have made in furthering our goals is set out on pages 82 to 89.

Shareholder engagement
At the Annual General Meeting held in May 2021, 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, as a reflection of their concern for the length of tenure of the Chairman of the Board.

We have maintained an active dialogue with representatives of independent shareholders throughout the year in order to remain in tune with and guided by shareholder views and in order to adapt our approach wherever possible in response to issues raised. Full details of our engagement with shareholders can be found in our Stakeholder Engagement section on page 68, and in the Nomination Committee report on page 109. We are grateful for our investors' ongoing support, and look forward to a continuing period of active recovery in 2022 to repay their confidence.

Introduction to governance continued

The Board has every confidence in Mr Bradley and his Chairmanship of the Nomination Committee, which has focused on succession planning during 2021 and instructed a specialist external recruitment agency to assist with finding an additional Non-Executive Director to add further balance to the Board.

The Board has also taken note of views expressed at the Annual General Meeting as well as in other communications with shareholders concerning the lack of a right for the shareholders to vote on the Remuneration Report and Remuneration Policy contained in the Company's annual financial statements and approved a proposal from the Remuneration Committee to allow the shareholders to have an advisory vote on the Remuneration report set out on pages 121 to 130 and the Remuneration Policy relating to 2022 set out on page 123.

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 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

The Board worked very closely with the Executive Leadership Team on the process of reengaging the workforce and safeguarding their mental health as regions emerged from lockdowns. I was, therefore, delighted to see our efforts to support our workforce and communities throughout the pandemic acknowledged by a number of industry recognitions throughout the year.

We are very proud to have been awarded a selection of workforce-related awards, including:

– The Cateys 2021 Best Employer Award;
– the 'Top-6 Best Places to Work in Hospitality' by leading UK hospitality trade publication The Caterer; and
– 'HR Team of the Year' at the HR in Hospitality Awards 2021.

All this success is a reflection of the hard work that has gone into protecting the safety and well-being of our team members.

An annual 'Climate Analysis', being a formal and comprehensive study based on a survey of our people, culture and overall workforce satisfaction, usually forms a key part of our annual workforce engagement activities. However, with a number of team members still on furlough in Q1 2021, we have instead relied on: a combination of succinct pulse surveys aimed at gauging the current concerns of our team members; UK-based hotel visits carried out by the Non-Executive Directors; and feedback received during the monthly business updates. In the UK, we also established a team member forum of elected representatives to facilitate communication between senior management and team members.

Hotel visits by members of the Board to a majority of our UK properties formed a key part of our workforce engagement activities in 2021. However, the ongoing restrictions across other regions meant that our planned schedule of hotel familiarisation visits by the Non-Executive Directors could not be fully completed. In order to compensate for this, we have agreed an enhanced visit schedule for 2022 covering Croatia, Germany, Serbia, Austria, Rome and the Netherlands to be completed when restrictions permit.

As the nominated Board member responsible for workforce engagement, I have also been conducting a review of the effectiveness of our existing methods of workforce engagement. I am currently in the process of reviewing comments from regional management and working with the Head of Human Resources with a view to bringing recommendations to the Board in Q2 of 2022 for an enhanced and more resilient process reflecting the continued growth of the Group.

Conclusion

We recognise that sound corporate governance is imperative to delivering long-term sustainable value for all of our stakeholders. This difficult year brought further assurances that our governance practices are cemented into the Group's culture and working practices.
The integration of the principles of the Code into our business framework continues to give me confidence that our business is well equipped to take advantage of future growth opportunities as and when they arise.
I would like to thank our Board, Executive Leadership Team, the entire workforce and all our stakeholders for their commitment and support during this challenging time.

Kevin McAuliffe
Non-Executive Deputy Chairman

BOARD'S ACTIVITIES 2021

A. Strategy, operational performance and risks

– Regularly received operational updates from the Executive Leadership Team
– Regularly reviewed potential growth and development
– Reviewed and approved completion of the joint venture transaction with Clal Insurance Company Limited in respect of Park Plaza Riverbank and art'otel London Hoxton
– Reviewed and approved the acquisition of the 4-star Londra & Cargill Hotel, via the Group's wholly owned subsidiary Londra Cargill Parent S.r.l
– Regularly reviewed principal risks
– Reviewed the results of, and evaluated the performance of, the external audit
– Regularly reviewed the results of, and evaluated the performance of, the internal audit

B. Financial performance

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

C. Succession and talent

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

D. Stakeholder engagement and governance

– Received regular reports from the Chair of each Committee
– Received regular reports and updates from the Company Secretary and from the Chief Corporate & Legal Officer
– Reviewed governance standards of the Group and its subsidiaries
– Reviewed and approved formation of the ESG Committee and approval of the ESG Committee terms of reference
– Reviewed and approved updates to the Committee terms of reference
– Reviewed and approved updates to the Group's Code of Conduct
– Reviewed and approved the UK Gender Pay Gap Report 2020, 2021 and the Modern Slavery Statement 2020–2021
– Reviewed and approved updates to the Group's Whistleblowing Policy and routinely reviewed the reports arising from its operation
– Reviewed and approved updates to the Significant and Related Party Transactions Policy
– Reviewed and approved updates to the Remuneration Policy
– Reviewed Board evaluation report of the external consultant
– Reviewed and approved the Group's new Human Rights Policy
– Reviewed other principal Group policies
– Received regular updates on investor relations and updates from investor presentations
– Responded to investors collectively in announcements following votes at the Annual General Meeting, and individually in exchange of correspondence

Board of Directors

BOARD AND COMMITTEE MEMBERSHIP

	E	A	N	R
Eli Papouchado				
Yoav Papouchado	Alternate Director			
Kevin McAuliffe			●	
Nigel Keen		●	●	C
Kenneth Bradley	C	●	C	●
Stephanie Coxon	●	C	●	●
Boris Ivesha				
Daniel Kos				

E – ESG Committee
A – Audit Committee
N – Nomination Committee
R – Remuneration Committee
C – Chair

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

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

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

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

Daniel Kos

Chief Financial Officer & Executive Director

Mr Kos has worked with the Group for over ten years of which the last four 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

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

Executive Leadership Team

The Executive Leadership Team meets on a monthly basis and is chaired by the Deputy Chief Executive Officer. It has authority to manage the day-to-day operations of the Group's businesses, with the exception of those matters reserved for the Board, within the financial limits set by the Board.

The Executive Leadership's remit includes:

- formulation of strategy and the Group's priorities for recommendation to the Board;
- performance management in accordance with strategy and budgets;
- customer engagement, product development and brand standards;
- construction, maintenance and design;
- asset management and capital investment (where Board approval is not required);
- procurement and cost efficiency;
- reputation and stakeholder management;
- risk management;
- people, culture, values and sustainability;
- talent and succession;
- information technology and cyber; and
- health and safety.

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.

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, People & Culture.

Greg holds a Masters' Degree in Business Administration (MBA) and brings over eight years of experience in the hospitality industry including senior management roles at global brands such as GLH Hotels and BDL Hotels.

In 2004 Greg won a prestigious Acorn Award, which recognises the flair and passion of rising stars in hospitality. 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.

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 rejoined the Group in 2007 and since then has significantly developed the central commercial organisation, creating and leading a multi-disciplined, international team of specialists.

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

Daniel Pedreschi

Regional Vice President Operations, United Kingdom

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

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

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

Jaklien Van Sterkenburg

Executive Vice President People & Culture | Head of HR

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

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

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

Daniel Kos

Chief Financial Officer & Executive Director

Daniel has worked with the Group for over ten years of which the last four 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.

Inbar Zilberman

Chief Corporate & Legal Officer

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

Miahelle Wells

Regional Vice President Operations, the Netherlands

Michelle has held a number of management positions at PPHE Hotel Group over a period of 12 years, originally joining as General Manager, Park Plaza Sherlock Holmes London in 2007.

Michelle moved to the role of General Manager of sister hotel Park Plaza County Hall London in 2014 and then on to Park Plaza Victoria London in 2016. Promoted to the newly created role of Vice President Operations, the Netherlands in 2019, Michelle oversees all operational, revenue, finance, marketing and sales strategic objectives for the region on behalf of six properties. With the newly acquired Londra & Cargill in Rome, Michelle has now 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.

Jon Colley

Executive Vice President Acquisitions & Development

Jon joined PPHE Hotel Group in 2021 as Executive Vice President Acquisitions & Development and, along with his team, is responsible for the implementation of the Group's strategic acquisition and development strategy.

Jon brings a wealth of experience of over 20 years working within the hotel real estate and financial sectors for global hotel businesses such as IHG and Hilton, and international financial institutions such as GE, Barclays and RBS Group.

Corporate governance

STATEMENT OF COMPLIANCE

For the year ended 31 December 2021, 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:

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

DIVISION OF RESPONSIBILITIES

Good corporate governance requires a clear separation of roles between the Chairman (including the Deputy Chairman), Senior Independent Director and Chief Executive. The roles of each are set out here. Each such position has separate duties and accountabilities. Collectively, they ensure effective communication with stakeholders and review and agree 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 strategic priorities for the Board
- Ensuring long-term value-creation
- Establishing and maintaining a culture of openness and debate
- Setting key Company objectives and ensuring processes to deliver them
- Ensuring long-term viability and sustainable success
- Championing key stakeholders, including workforce and investors
- Regular contact with the Company's Executive Leadership Team and relevant function heads

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 the appropriate governance structure and functioning of the Board and 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

- Overseeing corporate governance for the Board and ensuring appropriate and tailored standards are in force to comply with the Code
- Monitoring the induction programme in place for new Non-Executive Directors
- Ensuring the Directors are receiving and have access to clear and timely information as needed to make key decisions
- Overseeing annual Board and Committee evaluations and putting in place a plan to act on the results of the evaluation
- Communicating with key stakeholders and independent shareholder groups, with the support of the Chief Corporate & Legal Officer and Chief Financial Officer
- Consulting with the Remuneration Committee about executive remuneration
- Appointed the 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
- 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
- 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 and for society as a whole through success sustainable in the long term.

Culture. Creating and promoting a guest-focused culture in line with the strategy, valuing integrity, transparency and respect. Creating opportunities for communities to join teams with strong prospects of career progression and personal growth through training, development, a service mentality and ensuring our team members feel valued and empowered to succeed.

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

Governance. Oversee resourcing, ensuring the tools are available for management and the Group as a whole to meet its objectives and measure performance against them. Ensure that workforce policies and practices are both ethical and consistent with the Company's values and long-term objectives, that management is capable and effective and that sound planning is in place.

Monitor the effectiveness of internal controls, risk management policies and compliance with all statutory and regulatory obligations across our multi-jurisdictional portfolio.

Sustainability. Regularly review business strategy to ensure that it remains appropriate for any cyclical and structural changes in the industry. Manage risk and regularly assess the adequacy and effectiveness of mitigation measures, oversee controls and ensure commercial strategy is modelled for resilience and challenging market conditions.

Stakeholder communications. Build and maintain successful relationships with a wide range of stakeholders, based 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 2021, the Company had seven Directors, five of whom were Non-Executives (including the Chairman, Eli Papouchado), three of whom were 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 and Transparency Rules at page 133).
For more details see 'Independence and tenure of Chairman of the Board' below).
The two Executive Directors are Boris Ivesha, President & Chief Executive Officer, and Daniel Kos, Chief Financial Officer.

Our Board Policies
The Board provides leadership and oversight. Transparency in methodology and outcomes is supported through documented terms of reference and policies directing processes. These are:

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

Governance journey: updating policies
The Board reviews all governance policies periodically to ensure the policies remain current and appropriate to the needs of the Board and Company. In addition to the policies that are subject to annual review, during the year the Directors approved refreshed terms of reference for the Audit Committee, the Remuneration Committee and the newly formed ESG Committee. The terms of reference of the Nomination Committee were also reviewed by the Board and there were no changes. Further, the Significant and Related Party Transactions Policy, a key part of our Conflicts of Interest Management controls, was reviewed and approved.

The Schedule of Matters Reserved to the Board sets out key duties for the Board:

- 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

For more information, see the Audit Committee report on pages 115 to 120

Exercising oversight and ensuring adequate time to carry out duties
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. 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.

Ms Coxon was appointed to an external position in International Public Partnerships Limited, a FTSE 250 listed infrastructure investment company as a Non-Executive Director with effect from 01 January 2022 . Prior to her external appointment the Deputy Chairman reviewed the appointment, the time commitment required and assessed that this appointment would not interfere with Ms Coxon ability to carry out her role as Audit Chair, Director or Committee member. The Deputy Chairman on behalf of the Board approved the same, giving due consideration to the application of Provision 15 of the Code.

EVALUATION OF DIRECTORS
Board Performance Evaluation
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 2019 and 2020, 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.

Board and Committee Review Cycle
- 2019 Internal Review conducted by Deputy Chairman
- 2020 Internal Review Conducted by Deputy Chairman
- 2021 External Review conducted by Independent Audit Limited

2021 External Review Method
The 2021 Board evaluation review was conducted by two members of Independent Audit Limited's team who reviewed the minutes of all Board and Committee meetings held during the year, remotely attended one full Board meeting, one meeting of each of the Nomination, Remuneration and Audit Committees, and one monthly business update call, as well as interviewed each member of the Board, the Executive Leadership Team, and the Company Secretary.

An external review of the Board and its Committees was carried out by Independent Audit Limited in 2021 in accordance with our programme in spite of the logistical challenges posed by travel restrictions and government-imposed lockdowns. Unfortunately, as a result of these restrictions, the usual evaluation process had to be modified somewhat, and the evaluation meetings were conducted virtually rather than in person. However, the evaluation was helpful in identifying the areas of focus set out below.

Identified Focus Area	Outcomes
Succession planning and Board experience: – Review succession plans for Chairman and Deputy Chairman – Consider Non-Executive Directors taking into account the recommendation of the Hampton–Alexander Report – Consider providing further training to Executive Leadership Team on Board best practices	Succession planning has been a continuous area of discussion for the Board and the Nomination Committee in particular and will continue to be a focus going forwards, for the Chairman, Deputy Chairman and the wider Executive Leadership Team. Two independent Non-Executive Directors were appointed at the outset of the pandemic and as a result their induction is still ongoing. The pandemic travel restrictions and the geographically widespread locations of the Directors prevented us conducting our normal in-person meetings and site visits to the Group's properties. As restrictions are being lifted an increased visit programme and meeting schedule is being activated for 2022. In light of these new recruits, the need to recover from the pandemic and the relatively small size of the Board overall, we continue to consider it necessary to preserve continuity at leadership level. However, a single appointment or departure will have a significant effect on Board diversity, and an independent specialist search consultant has been appointed to recruit an additional independent Non-Executive Director. Instructions to this consultant included a requirement to take into consideration the recommendation of the Hampton–Alexander and Parker reviews. Our Learning & Development team will integrate further Board training into the training schedule.
Risk management: – Integrate risk discussions into entire Board discussion more, and improve subsidiaries' reporting of risks – Hire further support for the internal audit function	This has been an area of continuous improvement for the Board in recent years. In 2021, our risk and internal audit function consolidated underlying functional and subsidiary risk registers into a single view of risk which was then reported to the Board. An additional recruit joined the Risk and Internal Audit function in January 2022 to support risk management, and this should provide the necessary resource to further improve subsidiary reporting of risks.
Board agendas: – Allow further time for Board meetings as well as in-person meetings – Consider having the monthly calls as virtual meetings – Consider including further details in advance papers submitted to the Board prior to meetings – Upgrade the Board portal	The pandemic has caused this to be a challenge over the last two years and made the in-person interaction of the Board during certain periods impossible. On the road to recovery, 2022 is expected to be a year where the Board is able to resume holding in-person Board meetings and site visits to all properties. The Company Secretary has been asked to look into the possibility of upgrading the Board portal. The legal team circulates documents supporting the relevant Board meeting agenda prior to Board meetings (including detailed transaction summaries as relevant). We are reviewing which additional further standing briefing documents should be included in future quarterly Board meetings.
ESG: – Adopt a clear strategy and targets and engage with stakeholders in a more proactive manner	In March 2021, we established an ESG Committee to define the Group's ESG strategy. We have begun TCFD reporting which includes reporting on strategy, goals, metrics and targets which the ESG Committee will oversee and monitor. We report on our stakeholder engagement activities for 2021 on pages 68 to 73. Currently, this predominantly includes active correspondence with representatives, investor roadshows and sharing of subsequent feedback, as well as meetings with shareholders, when requested. However, we strive for continuous improvement and for further opportunities to engage. In 2022, with the easing of restrictions, we expect to be able to take advantage of further opportunities to engage with our shareholder base (the majority of whom are based overseas).
Strategy: – Consider holding another Board strategy away session in 2022 to discuss further the evolution of the Strategy in view of recovery and hold more structured discussion in Board meetings against delivery of strategic objectives.	A further Board strategy away session is planned for 2022. Strategy will continue to be a key area of responsibility and direction for the Board as we shift our focus from surviving the pandemic and continue the path to recovery and growth. Strategy remains a standing item on the Board agenda.
Executive retention: – In light of the challenges of the last couple of years and requirements imposed as a result of the government support schemes taken by the Group, there is a concern of long-term retention of the Executive Leadership Team	This has been an area of focus for the Remuneration Committee and will continue to be this year. Further details of incentives aimed at retention are in the Remuneration Committee report and its proposed policy for 2022. Please refer to pages 121 to 130.

Corporate governance
continued

For more information, please see the Nomination Committee report on pages 109 to 114

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. No such concerns were recorded in 2021. Additionally the Senior Independent Director takes responsibility for ensuring that all viewpoints are available to the Board.

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

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.

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 2019, the Board identified a need to further review the terms of reference in line with the Code and began the process in 2020 which was continued in 2021. In 2021 the Board reviewed and approved updates to the terms of reference of the Audit Committee and the Remuneration Committee and approved the adoption of the terms of reference of the newly formed ESG Committee. The Nomination Committee terms of reference which were updated in 2020 as part of this process were also reviewed by the Board in 2021 and there have been no changes.

Balance of independent Non-Executive Directors
The Code dictates that at least half of the Board, excluding the Chair, be made up of independent Non-Executive Directors.

After due consideration was given to all factors that are likely to impair, or appear to impair, the independent judgment of each Director, the Board concludes that three of the four Non-Executive Directors who were in place during the 2021 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 the Code by virtue only of his tenure with the Board. The Alternate Director and Executive Board members are not independent. In 2021, instructions were issued for recruitment of a further, independent, Non-Executive Director to be appointed in 2022 and the search currently is ongoing with the professional assistance of the recruiting firm OSA Recruitment.

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

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 2021 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 management takes corrective actions in a timely manner.

Delegation and communication between the Board and the Executive Leadership Team
One significant outcome of the 2020 Board Evaluation was on the increased interaction and appropriate delegation of authority between the Board and Executive Leadership Team. As a result, in 2021, monthly business update calls between the Board, the Executive Leadership Team and senior management have taken place. Sub-meetings attended by the Non-Executive Directors directly after these monthly updates also took place.

CULTURE AND VALUES – OUR POLICIES

Refreshed policies	New policies	Policies reviewed and unchanged
– Code of conduct	– Human Rights Policy	– Anti-bribery and corruption policies
– Whistleblowing Policy		
– Responsible and Ethical Sourcing Policy		
– Related Party Transaction Policy		

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.

Corporate governance
continued

ESG COMMITTEE

The Board established a new Environmental, Social and Governance Committee ('ESG Committee') in 2021, which is comprised of two independent Non-Executive Directors, Kenneth Bradley (Chair) and Stephanie Coxon. The terms of reference of the ESG Committee can be found on the Company's website.

Members

Kenneth Bradley
Chair

Stephanie Coxon

Support
– Chief Corporate & Legal Officer
– Head of Compliance

Goal
The aim of the Committee is to establish a unified view of ESG, increasing understanding of all three aspects of environmental, social and governance, and to promote robust standards of corporate governance that integrate all these aspects.

ESG strategy
The ESG Committee meets quarterly to review the wider ESG agenda, to ensure we are on track to meet our external and internal commitments, and to discuss opportunities to advance the agenda. In 2021, the ESG Committee, supported by our Chief Corporate & Legal Officer and the Head of Compliance, played an important role in reviewing and helping to shape our TCFD reporting and reporting plan and to build on the Responsible Business programme. The next goal of the ESG Committee is to formulate a defined ESG strategy, to help meet our ESG targets and oversee TCFD reporting requirements in 2022 and beyond.

Purpose
The Committee was constituted by the Board to:

- assist the Board in defining and regularly reviewing the Group's strategy relating to ESG matters;
- provide oversight of the Group's management of ESG matters and compliance with relevant legal and regulatory requirements, including applicable rules and principles of corporate governance, and applicable industry standards;
- report on these matters to the Board in the quarterly Board meetings and, where appropriate, make recommendations to the Board; and
- report as required to the shareholders of the Company on the activities and remit of the Committee.

See the Responsible Business section for more information on pages 74 to 89

Values and purpose

Human rights and anti-slavery
The hospitality industry remains highly vulnerable to human trafficking, in large part because it offers short-term accommodations to the public.

As a Group we believe that awareness, training to spot signs of trafficking, and encouragement to speak-up, are critical to mitigating the risk of human trafficking.

2021 saw refresher training on identifying at-risk people and reporting through line managers or through whistleblower hotlines in the UK, with future roll out in other regions. Human rights modules were also introduced into our new 'Learn & Grow' training suite. Further details of our 'Learn & Grow' training programme are set out on page 77.

The Board also approved a new Human Rights Policy for the Group in August 2021 which defines the basic standards of human rights that our Group will adhere to at all times and which we expect our business partners to respect. These standards of human rights also form the basis of our Responsible and Ethical Sourcing Policy.

Workplace policies
Reflecting its introduction in the Code, the Board has made more proactive efforts to oversee and ensure that workforce practices are consistent with the Company's values and support its long-term success. As with 2020, the Board has reviewed a number of policies and the tools used to integrate them into the Company culture as set out below.

Anti-bribery and corruption
We remain committed to ensuring our business is operated ethically, with transparency and integrity. As part of that commitment, we continually update and refresh our anti-bribery and corruption policies and training.

Code of Conduct
Our Board sets the culture of the Company by identifying the right behaviours and periodically reviewing the application of our Code of Conduct in communicating our values and behaviours. Our Code of Conduct was amended in 2021 to incorporate reference to the Company's new Human Rights Policy. This refreshed Code of Conduct was approved in August 2021 with the endorsement and support of our Board of Directors. The Code of Conduct was guided by our Deputy Chairman, who plays an integral role in ensuring that the governance, values and purpose of the Company are reflected in our business policies and our approach to Responsible Business initiatives.

Whistleblowing
The Company updated our Whistleblowing Policy which was approved by the Board in the August Board meeting. The main updates to the policy were based and, the new EU Directive on whistleblowing and the protection of people reporting wrongdoing. The policy and the infrastructure supporting it ensure that any team member in any region has a 24-hour channel to report matters of concern to them, secure in the knowledge that any good-faith report will be taken seriously, treated confidentially and that they will be free and safe from any reprisal.

WORKFORCE ENGAGEMENT

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

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

Workforce engagement
Our team members' loyalty and dedication has helped keep us going throughout the pandemic. They understand our passion to create the best possible experiences for our guests. 'The Big Welcome' brought back our furloughed team members and welcomed new people to our teams, all eager to reopen our doors and welcome back our guests.

In the UK, we introduced a new team member forum to maintain strong, two-way communication between leadership and team members. This is a quarterly exercise, and adds a new channel of communication to those existing in other regions.

Board site visits
The Non-Executive Directors completed site visits to Holmes Hotel, Park Plaza London Riverbank, Park Plaza Westminster Bridge London and the art'otel London Hoxton construction site. Due to the pandemic, site visits were challenging to implement across all of our properties, and are scheduled to take place in 2022.

Pulse surveys
Some team members prefer to offer their feedback anonymously, rather than face-to-face. Our 'People & Culture' team conducted annual pulse surveys. These pulse surveys took place after a period of active recruitment, so included many new team members as well as those we have enthusiastically welcomed back after the lockdown period. It means we have been able to get multiple perspectives to help guide our activities.

These pulse surveys took place online on an anonymous basis and were conducted by an external partner. The overall responses to the engagement questions were positive. Further details of the results are set out on page 105.

Corporate governance
continued

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
– ESG Committee

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

Our Board

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

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

Nomination Committee

Develops. Plans. Evaluates. Nominates.
Oversees current needs and evaluates, plans for the future, monitors, advises, nominates candidates.

Report available on pages 109 to 114

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 115 to 120

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 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 121 to 130

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. 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

BOARD AND COMMITTEE MEMBERSHIP

	B	N	A	R	E
Eli Papouchado	C				
Yoav Papouchado	Alternate Director				
Kevin McAuliffe	●	●			
Nigel Keen	●	●	●	C	
Kenneth Bradley	●	C	●	●	C
Stephanie Coxon	●	●	C	●	●
Boris Ivesha	●				
Daniel Kos	●				

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

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 AND COMMITTEE MEETINGS

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
	A	B, N, R		B, B, N, A, R, ●	B, B, B		B, A, R, N		E	B	B, A, R, R, N, E

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

Corporate governance
continued

BOARD AND COMMITTEE MEETINGS ATTENDANCE

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

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings		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	Eligible to attend
Eli Papouchado	6	6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Yoav Papouchado *Alternate Director*												
Kevin McAuliffe	6	6	N/A	N/A	N/A	N/A	4	4	N/A	N/A	1	1
Nigel Keen	6	6	4	4	4	4	4	4	N/A	N/A	N/A	N/A
Kenneth Bradley	6	6	4	4	4	4	4	4	2	2	1	1
Stephanie Coxon	6	6	4	4	4	4	4	4	2	2	1	1
Boris Ivesha	6	6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	2
Daniel Kos	6	6	N/A	N/A	N/A	N/A	N/A	N/A	1	1	2	2

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

Membership of the Nomination Committee and meeting attendance

Name of Director	Meetings attended and eligible to attend
Kenneth Bradley (Chair)	4/4
Stephanie Coxon	4/4
Kevin McAuliffe	4/4
Nigel Keen	4/4

DEAR STAKEHOLDER,

I welcome the opportunity to report on the work of the Nomination Committee for 2021.

Our focus this year has been on overseeing the succession planning programme, ensuring the talent pipeline is well developed for tomorrow's leadership and leading the process of the annual Board evaluation.

Our Board succession planning is on target, with three new appointments made since Q2 2019, my own appointment included, and two Non-Executive Directors stepping down from the Board in that same period. We have also commenced the search for an additional Non-Executive Director to complement the skillset of the Board, taking into consideration the recommendation of the Hampton–Alexander and Parker reviews.

I was pleased to see that our recent succession planning activities, combined with the continuity of experience, industry knowledge and entrepreneurial flair of the Board and Executive Leadership Team, served the business well as it navigated through the ebbs and flows of the pandemic recovery process in 2021, while also ensuring that the Group is well-positioned to capitalise on future opportunities.

Nomination Committee membership

As of 31 December 2021, the Nomination Committee is comprised of four Non-Executive Directors, three of whom are considered by the Board to be independent. The independence of the Non-Executive Directors is reviewed annually. No member of the Nomination Committee is deemed to have a personal financial interest in the matters to be decided.

Nomination Committee report
continued

NOMINATION COMMITTEE'S FOCUS IN 2021

Function	Actions in 2021
Board and Committee composition	– Evaluation of the composition, skills, experience, independence and diversity of the Board – Reviewed the results of the Board's 2020 evaluation – Instructed an external Board evaluation – Considered the Committee's own performance and constitution to ensure it is operating at maximum effectiveness – Implemented the requirements of the Board Diversity Policy in setting instructions for recruitment of a new Non-Executive Director, in particular, instructing that a list of candidates is prepared with the requirements of the Hampton–Alexander and Parker reviews in mind – Proposed formation of new ESG Committee and its membership
Board nominations	– Engaged an independent specialist external search consultant to assist with the appointment of an additional Non-Executive Director – Preparing the criteria and instructions for the appointment of a new Non-Executive Director and receiving regular updates from the search consultant – Finalised Director induction process
Succession planning for Directors and senior management	– Regularly reviewed and considered succession planning of the Board level and Executive Leadership Team – Prepared a roadmap addressing various contingencies
Diversity and talent development	– Considered gender balance at senior management level and their direct reports – Reviewed Diversity Policy – Reviewed long-term nominations and commenced recruitment of a new Non-Executive Director taking into account the requirements of the Hampton–Alexander and Parker reviews
Workforce recruitment	– 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

Succession planning programme – Board
After an exceptionally active period of recruitment of just over two years which saw the addition of three new Non-Executive Directors to the Board and two Directors leaving the Board, the main focus of the Nomination Committee in 2021 has been on evaluating the composition and functioning of the Board in light of the new Board members as well as road-mapping a succession plan addressing the Committee's short-term, medium-term and long-term concerns and different contingencies.

Given the regular interaction between the Board and the Executive Leadership Team, the Committee has the required exposure to evaluate internal candidates when planning for different succession eventualities. The Committee's succession planning process is aligned with the Group's entrepreneurial culture which fosters the growth and support of team members from varying positions within the Company through to leadership level and is, therefore, engineered to produce internal candidates who may be suitable for positions on the Board, as well as considering external candidates when appropriate with the assistance of external specialist search consultants.

As informed by the Committee's succession plan and its evaluation of the balance of skills and diversity on the Board, the Nomination Committee determined that the Board would benefit from the appointment of an additional Non-Executive Director and instructed an independent specialist external search consultant, OSA Recruitment, to assist with finding a suitable candidate. OSA Recruitment have no links to the Company or any Directors. The instructions and search criteria prepared by the Committee specified that any list of candidates must bear in mind the requirements of the Hampton–Alexander and Parker reviews, as well as the pending updates to the Listing Rules in relation to diversity in order to curate a diverse candidate shortlist. The search remains ongoing.

As an important element of the succession planning programme, consideration is also given to the length of service of Board members. However, given the recent refresh of the Board, the balance of composition between the newly appointed and more tenured members was critical in ensuring the Company remained focused on long-term strategy and was able to offer stability and security during the challenges presented in 2021.

While the consideration of the Code's emphasis on tenure remain of fundamental importance to the Group, the Board is strongly of the belief that in its current composition, it has the right combination of skills, experience and knowledge and remains effective and entrepreneurial and will be further enhanced by the addition of a new Non-Executive Director once the right candidate satisfying the Committee's criteria is found.

Succession planning programme – Executive Leadership Team
In consideration of the appointments made to the Executive Leadership Team in 2019, which took effect on 1 January 2020, the Board believes succession planning is effective for senior management and in keeping with the spirit of Principle J of the Code. The Chief Executive Officer, who sits on the Board and remains in regular discussion with the Board, directs succession planning at the senior management level and does so in coordination with the Chairman, Deputy Chairman and the Board on the whole.

In directing succession planning, Principle J is applied to ensure that succession is based on merit and objective criteria and within this context promotes diversity of gender, social and economic backgrounds, cognitive and personal strengths.

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. However, 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 shareholders.
The Committee is also of the view that the presence of a non-independent Chairman on the Board is mitigated and counterbalanced by the fact that half of the Board (excluding the Chairman) is constituted by independent Non-Executive Directors as prescribed by the Code, providing balance to the Board's decision-making process and ensuring that no individual is able to dominate decision-making.

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. The Committee is of the view that this function, along with Kevin McAuliffe's role of Deputy Chairman which primarily comprises the oversight and progress of corporate governance for the Board, mitigates the risks associated with having a Chairman who is not deemed to be independent.

The Group's continuing recovery from the effects of the pandemic has been characterised by bouts of progress combined with volatile demand and disruptive changes in regulations. In the context of this environment, the presence of experience and continuity on the Board has been essential to safeguarding the resilience of the business and identifying growth opportunities to support recovery for the benefit of shareholders. As well as providing much-needed stability, Mr Papouchado's rare combination of expertise in both real estate and hospitality is uniquely suited to our business model. In setting the Company's purpose, strategy and objectives, the Board leverages Mr Papouchado's vision, wealth of knowledge, network and intuition earned through his many successes spanning more than six decades in construction, design, development, financing, acquisition and management of leading hotels, retail spaces, large residential projects and his leadership as Chairman of the Israel Hotel Association. The Board (endorsed by the Committee) believes that these attributes are an imperative asset to the Group during this delicate period of recovery.

The Board engages in active correspondence with representatives of independent shareholders in order to remain in tune with and guided by shareholder views. As shown by our recruitment efforts in recruiting three Non-Executive Directors in the past two years in spite of the unprecedented market conditions, as well as the introduction of a shareholder advisory vote on our Remuneration report and Remuneration Policy, we strive to implement actions to remediate concerns and enhance Code compliance wherever possible. However, the Nomination Committee and the Board as a whole have given due consideration to Provisions 9 and 19 of the Code, and both categorically and unanimously agree that Mr Papouchado's continuation in the role of Chairman in the upcoming year will contribute to the Company's long-term sustainable success. The Committee and the Board will keep their decision to diverge from Provisions 9 and 19 (service of a Chair for a period longer than nine years) under constant review but recommend his reappointment as Chairman in 2022.

Nomination Committee report
continued

SUCCESSION PLANNING, DIVERSITY AND BOARD AND COMMITTEE REVIEWS

MARCH 2021		MAY 2021		AUGUST 2021		DECEMBER 2021	
ESG Committee formation	B	Audit Committee evaluation	B	UK Gender Pay Gap Report	B	External Board evaluation	B
Review of Board evaluation results	B	Audit Committee evaluation	A	UK Gender Pay Gap Report	N	Succession planning discussion	B
Discussion on succession planning at senior management level and Board level	N	Review of Non-Executive Directors directorship terms	B	Gender balance at senior management level and reporting employees	N	Audit Committee – Annual work plan and 2022 objectives	A
Discussion on gender balance at senior management level and reporting employees	N	Report on gender balance at senior management level and reporting employees	N	2021 Board evaluation process and timing discussion	N	Succession planning discussion	N
Review of 2020 Board evaluation results	N	Review of Non-Executive Directors directorship terms	B	Board Diversity Policy review	N	Nomination Committee – Performance and constitution	N
						Remuneration Committee – Performance and constitution	N

B Board meeting A Audit Committee meeting N Nomination Committee meeting

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

One key objective for the Nomination Committee is to continually improve on our Board induction programme. As a Board we agree that the induction process should introduce the new appointee to key stakeholders and the culture of the Board and the Company as a whole. The induction also allows new appointees to gain an appreciation of their role in the success of the Company, how the Company measures success and the expectations of all key stakeholder groups. The induction must be tailored to the individual Director without neglecting the key elements of our induction programme. For that reason, in 2021 the Committee developed a remote induction programme on the key features of the Board and Director responsibilities with a tailored approach to take into account the Director's experience.

The newly appointed Non-Executive Directors continued their induction programmes in 2021 by carrying out hotel familiarisation visits across the UK hotels (as well as the art'otel London Hoxton construction site). A more extensive visitation programme, including visits to Croatia, Austria, Rome and the Netherlands, is planned for 2022 to the operations of the Group's newly acquired and newly refurbished hotels and will give them further contextual understanding when discharging their responsibilities.

The Committee is also working on a modular Director training programme for all Directors of the Group's subsidiary companies across the various jurisdictions in order to enhance corporate governance at subsidiary level.

BOARD EVALUATION

YEAR 1	YEAR 2	YEAR 3
Financial Year 2019 Internal evaluation	**Financial Year 2020** Internal evaluation against Year 1 review	**Financial Year 2021** External evaluation

EXTERNAL BOARD EVALUATION

Purpose and process
The purpose of the 2021 review of the Board and Committees was to assess their performance against peers and market standards.

INDEPENDENT VIEW	IMPROVEMENTS	SCOPE	OUTCOME	CONCLUSION
– External third parties provide a new insight into improving efficiency – Performance benchmarked against peers and market standards	– We seek constantly to improve efficiency – Internal evaluations in 2019–2020 – Recommendations and outcomes reviewed	– The evaluation covered the full scope of the Board and each Committee	– Recommendations – Suggestions – Overall assessment of Board effectiveness	– View a summary of the evaluation on page 101

Board evaluation
The Board evaluates its performance and considers the tenure of each Director on an annual basis, and believes that the mix of skills, experience and length of service is appropriate to the requirements of the Company. This feeds into considerations for succession planning for long-serving Directors.

An external evaluation of the Board is facilitated by the Committee every three years. As such the Committee instructed an external consultant to carry out the 2021 Board evaluation.

During 2021, the Board improved the frequency of interaction between its Non-Executive Directors and Executive Directors which increased the flow of information to the Non-Executive Directors and ensured that they were contemporaneously kept abreast of key business developments, in turn allowing them to better carry out their functions in alignment with the goals of the Group. The Non-Executive Directors also meet separately allowing them to carry out their independent functions.

Annual re-election of Directors
As required by the Code, all Directors will be subject to re-election at the next annual general meeting.

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

Our Board and Executive Leadership Team consists of both men and women and includes talented and committed individuals whose business experience, geography, age, gender and ethnicity are varied.

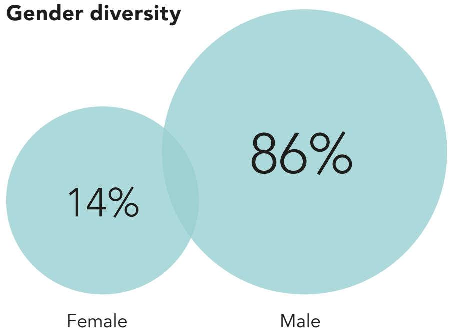
The Committee reviewed the composition of the Board in 2021, and in doing so believes that there is a depth of diversity with regard to a number of characteristics, experience and skill sets. Gender diversity remains as an area of improvement at the Board level, and the Company is committed to driving progress in this regard.

The Board maintains a Gender Diversity Policy which is reviewed annually by the Nomination Committee and proposed for annual adoption by the Board. In proposing the policy, the Nomination Committee recommends changes where it deems appropriate in light of the current Board composition. The diversity policy approval process is open to discussion and debate. The Board again considered the benefit of setting diversity targets in order to close the gap with regard to gender diversity.

Nomination Committee report
continued

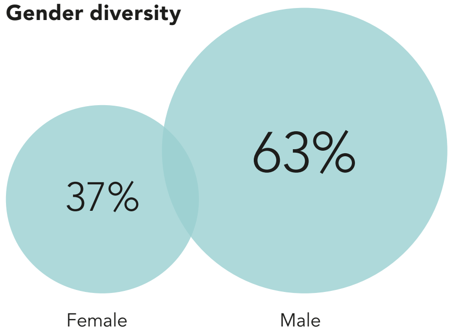
BOARD

Gender diversity



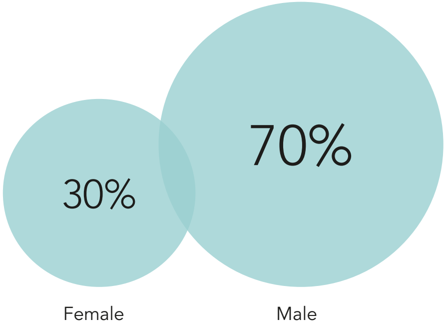
DIRECT REPORTS TO CHIEF EXECUTIVE OFFICER

Gender diversity



THEIR DIRECT REPORTS

Gender diversity



As of 31 December 2021, the Board ratio includes all Executive and Non-Executive Directors (and excludes the Alternate Directors).

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.

Given that we have a relatively small Board, we are acutely aware that even an individual appointment can heavily skew our diversity balance. 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. This does not prevent us from putting the benefits of diversity at the heart of our search for new voices within our leadership. The recruitment process is informed by the recommendations outlined in the Hampton–Alexander and Parker reviews as well as the pending updates to the Listing Rules in relation to diversity. This means we can be sure that we are presented with a list of potential recruits that includes the diversity we value.

All appointments are viewed holistically and in consideration of various factors which are relevant to any vacancy. In compliance with Provision 23 of the Code, the Nomination Committee is tasked with ensuring the policy on diversity and inclusion links to the objectives of the Company and Company Strategy and reviewing how the policy has been implemented and progressed to achieve its objectives.

Senior management

The Board and senior management are a unified voice for 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 the gender balance of those in senior management and their direct reports.

Workforce

Where possible, we actively support events in our community that celebrate diversity and inclusion. For further details refer to page 78.

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.

K. Bradley

Kenneth Bradley
Independent Non-Executive Director
Chair, Nomination Committee

Audit Committee report

Stephanie Coxon
Chair of the Audit Committee

Membership of the Audit Committee and meeting attendance

Name of Director	Meetings attended and eligible to attend
Stephanie Coxon (Chair)	4/4
Kenneth Bradley	4/4
Nigel Keen	4/4

DEAR STAKEHOLDER,

I am pleased to present the Company's Audit Committee report for 2021. The 2021 financial year was another difficult year for the Group, and I would like to personally thank the Executive Leadership Team and staff for their continued hard work.

The complexities and varied conditions presented over the course of year required the Audit Committee to remain agile in its approach. This involved adapting the internal audit plans to make sure they aligned with the key risks highlighted in the Company's risk management system and monitoring resourcing to enable the internal audit function to deliver on various assurance programmes.

Starting the year, and following my first reporting period with the Group, a comprehensive Audit Committee evaluation was undertaken. Findings from this evaluation were built into the objectives of the Audit Committee for 2021, and these can be found on page 117. I am pleased to say that good progress has been made in these areas and the details will be discussed over the coming pages.

The Audit Committee directs and oversees the changes to, and implementation of, effective risk management measures in response to the evolution of the business, its resources and its strategy. Implementing effective risk management is about accurately identifying risks and maintaining that oversight to accurately track those changes and being able to effectively communicate it in a transparent and digestible manner to all levels of management within the business. The Audit Committee uses the risks from the Company's Enterprise Risk Management (ERM) system (as set out on pages 26 to 34) as the main basis to determine the Audit Committee's focus areas. An area of focus this year has been working through how the impact of climate change is to be incorporated into the ERM system; further details on this can be found on page 87 to 89.

In line with the 2021 internal audit work plan, the Audit Committee instructed the Head of Internal Audit and Risk to perform work focused on the following:

- Treasury – to assess the effectiveness of key controls across cash flow and working capital management, banking administration, debt covenant oversight and reporting
- Employee share option scheme management – to assess the effectiveness of the steps taken by the Executive Leadership Team to plan, communicate and administer the scheme
- Franchise management – to assess the current status and effectiveness of the Company's franchise management and oversight arrangements

Audit Committee report
continued

- GDPR compliance – to assess the existing framework for ensuring the Company's compliance in terms of data governance, data processing and breach reporting
- Cyber security – setting the scope and overseeing the third party review of cyber security through penetration testing of the Company's core infrastructure

All these areas were highlighted in the ERM system.

Internal audit has also started their review of the effectiveness of the financial controls maintained by the Company focusing mainly on the treasury function. I am pleased to report that an additional resource was added to the internal audit team from beginning of 2022 to assist with the internal audit programme in 2022.

The Audit Committee is also tasked with safeguarding the quality of our financial and non-financial reporting, which is of great importance to the Audit Committee and the Board. The Audit Committee has had robust conversations with senior management and the external auditors on the continued impact of the pandemic on the financial statements, going concern and viability statement. The Audit Committee has also been working closely with the ESG Committee to make sure that the TCFD and broader ESG disclosures are fair, balanced and understandable in the context of the wider Annual Report and Accounts.

The Audit Committee believes that the robust risk management processes that we have in place ensure that the Company is able to successfully deal with ever-changing circumstances as we progress towards a return to pre-pandemic operations.

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 auditor's 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.

Effectiveness of the Committee

Following the Audit Committee Chair's first reporting period with the Company, a comprehensive Audit Committee evaluation was performed by the Audit Committee Chair to assess the effectiveness of the Audit Committee and ensure 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 understand the financial control environment and oversee an assurance programme to test the effectiveness of the controls in place
- External audit – to make sure the Audit Committee challenged and were comfortable with the external audit approach given the continued impact of the pandemic and external audit work due to perform around the control environment
- Internal audit plan and resourcing – to ensure 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 risk management system

Relevant skills and experience

The Audit Committee is comprised entirely of independent Non-Executive Directors, each having relevant skills and experience as prescribed by the Code and each bringing an independent mind-set to their role. The 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 94 to 95.

AUDIT COMMITTEE'S FOCUS IN 2021

Function	Actions in 2021
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 2021 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 enterprise risk management, including: • financial control framework • 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 FY21 and monitor the progress throughout the year. Selected deep-dive internal audits over areas highlighted in the ERM system, e.g. cyber security and data protection – Monitored and reviewed the effectiveness of internal audit function – Considered the structure of internal audit and consider the use of data analytics to assist in this area – Assess reporting from subsidiaries
Oversee ethical dealings and compliance for the Group	– Reviewed 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 auditor – Considered the annual and interim findings report from the external auditor – Regular communications with the external auditor during the audit process – Met with subsidiary auditors to discuss the status of the subsidiary audits – Evaluated the performance of the external auditor – Considered the tenure of the external auditor – Considered the external auditor's independence and non-audit services

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

Following the recommendation from the Audit Committee in 2020, the Audit Committee meetings are now scheduled a week ahead of the Board meeting, wherever possible, 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 and operational performance 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 2021.

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 to resolution at the Board meetings in 2021.

Audit Committee report
continued

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 2021.

The 2021 external audit will be Kost Forer Gabbay & Kasierer's eighth year of appointment as the Company's external auditors (16th year of an Ernst & Young Global member firm). The Company has a policy of tendering the external audit at least every 10 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 four further occasions. These informal meetings have been held to ensure the Chairman is kept up-to-date with the progress of their work and that their formal reporting meets the Audit Committee's needs.

In December 2021, 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 have asked the external auditors to look at two main areas:

– Business combinations – at the date of acquisition the external auditors were consulted to ensure the transaction was 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 3.

– TCFD disclosures – we asked the external auditors to provide specific feedback on the Group TCFD disclosures included in this report. The external auditors, using their ESG specialists, reviewed the TCFD section and provided feedback which subsequently was added to the TCFD report included in these accounts.

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 processionally 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 136 to 139.

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 £268,586 (2020: £249,422).

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 (2016) 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 £61,783 (2020: £64,598) 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 2021 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 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 has followed 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. 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.

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.

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 are 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.

Audit Committee report
continued

Financial controls
At the beginning of 2021 the financial control framework mapping out all financial controls across the business had been finalised and reviewed by the Chief Financial Officer.

During 2021 a self-certification from the finance functions confirmed that key internal controls within their area of responsibility have been operating effectively.

Enterprise Risk Management (ERM)
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 geopolitical causes are also reviewed by the Audit Committee with the aim of implementing appropriate controls and monitoring systems. When reviewing risks, the Audit Committee takes into account material external socioeconomic and geopolitical matters.

The 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 worked closely with a third party consultant on incorporating climate change risks into 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 87 to 89.

The detailed assessment of the principal risk, emerging risks and uncertainties facing the Group is included on pages 28 to 34.

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 2021 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 continued 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.
- Business combinations – At the time of each acquisition the Audit Committee had robust conversations with senior management over the accounting treatment for the business combination. Advice was sought from the external auditors to ensure the business combinations were accounted for in accordance with IFRS 3.
- 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 reviewed a paper prepared by management which outlines their approach to impairment reviews. 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 implementation of climate change risks into 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.

Stephanie Coxon
Independent Non-Executive Director
Chair, Audit Committee

Remuneration report

Nigel Keen
Chair of the Remuneration Committee

Membership of the Remuneration 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

DEAR STAKEHOLDER,

2021 has been yet another challenging year with the business continuing to operate under the unprecedented circumstances of lockdowns and ever-changing restrictions while also being able to experience certain periods of recovery along the way. I want to thank my fellow members of the Board, Executive Leadership Team and all employees across the Group for their continuous efforts and successes during the past year notwithstanding the challenges.

In 2020, prevailing circumstances at the time had forced the Group to act swiftly and effectively to preserve its position by taking measures to conserve cash, reduce overheads and realign expenditure in balance with demand. The Executive Leadership Team voluntarily entered into a number of salary sacrifice schemes and waivers of incentives.

The 2020 remuneration incentives have not been triggered for the 2020 financial year and the Committee approved a short-term Remuneration Policy which was applicable for 2020/2021 (the '2020/2021 Policy'). The purpose of setting a short-term revised Remuneration Policy was to enable the Company to utilise remuneration to retain and motivate its leadership to drive the strategic vision of the Group successfully while being considerate to the financial impact of the pandemic.

While the impact of the pandemic required us constantly to adapt our approach to remuneration policies, the purpose of the Committee remained to ensure remuneration policies are in place to support the sustainability, continuity and success of the Company. We have also had to rethink what tools we have at our disposal to encourage retention and engagement in the face of financial pressure, government support schemes and vast market uncertainty.

Remuneration report
continued

REMUNERATION COMMITTEE'S FOCUS IN 2021

Function	Actions in 2021
Remuneration Policy	– Reviewed Remuneration Policy
Executive Director and senior management remuneration review	– Reviewed Executive Director remuneration – 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 differential

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

- putting in place and periodically reviewing the broad policy for the remuneration of the Chairman, Executive Directors and senior management to ensure fair and responsible rewards and incentives with a clear and proportionate link to corporate and individual performance;
- within the terms of the policy, determining the individual remuneration of each Executive Director and C-suite;
- reviewing remuneration levels and related policies across the Group especially when determining salary increases, reviewing the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Director remuneration, and consulting with the CEO in setting the levels of remuneration for the 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 regularly reviewed to ensure compliance with the Code and ongoing strategic alignment with the Company, with the latest updated terms of reference approved in December 2021 and available on our website.

Committee composition
The Remuneration Committee consists of three Non-Executive Directors all of whom are independent. I joined the Committee after having served on a number of remuneration committees and having ample experience as the remuneration committee chair for other listed companies, ensuring our compliance with Provision 32 of the Code. There were four scheduled Committee meetings in 2021; for information on attendance, please refer to page 121.

The Deputy Chairman, Chief Executive Officer, Deputy Chief Executive Officer and Chief Operating Officer, Chief Financial Officer and Chief Corporate & Legal Officer are invited to attend meetings as appropriate depending on the items on the agenda. The Committee considers their views when reviewing the remuneration of Executive Directors and other senior executives; however, no Directors are involved in the consideration of their own remuneration and only members of the Committee have the right to vote at Committee meetings.

The Committee seeks independent advice as appropriate.

Remuneration Policy 2020/2021
During 2020, in light of the challenging market conditions caused by the pandemic, the Company had deemed it prudent to implement the 2020–21 Policy which was considerate to the financial pressures sustained by the Group due to the pandemic. The purpose of the 2020–21 Policy was to enable the Company to utilise remuneration to attract, retain and motivate its leadership to drive the strategic vision of the Group successfully while being considerate to the financial impact of 2020–21, including a new long-term incentive plan (the '2020 LTIP').

Alongside the 2020 LTIP, in 2020, a number of positions undertook voluntary salary sacrifices, deferments, share options in lieu of salary of the 2019 bonus and waiver of incentives.

In summer of 2021, following the reopening of the substantial majority of the Group's portfolio, and in conjunction with the positive trend of trading across regions, the 2019 bonus has been paid to employees.

The Committee then recognised that since the 2020 LTIP was announced, additional guidance has been issued by the relevant Dutch authorities in relation to the Dutch furlough scheme (known as 'NOW') which makes it clear that the grant of market value options associated with the Company's long-term incentive plan might contravene the conditions of NOW. As a result, the relevant Executive Leadership Team has voluntarily agreed to surrender the awards granted under the 2020 LTIP announced on 12 November 2020.

The Committee had to create a reward framework which could operate within the regulatory guidelines of government support across regions, with the express aim of retaining and incentivising management who have been performing under extraordinary pressure both operationally and mentally for an extended period of time. With this in mind, the Committee had approved a pay review in 2021 to the Executive Leadership Team's base salaries bringing the base in line with market. This decision was supported by the report of the independent remuneration consultant commissioned in 2019, with the Executive Leadership Team also foregoing in 2021 all additional incentives notwithstanding the improvement in performance and trading conditions.

2022 and beyond
During 2021, the Committee and wider Board invested considerable time in devising the appropriate Remuneration Policy applicable for 2022–2024 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. Details of the proposed Remuneration Policy can be found below. The Policy is subject to an advisory vote from shareholders.

For so long as the Group is being supported by the Dutch NOW scheme in 2022, any incentives to the Executive Leadership Team will need to be suspended.

2022 REMUNERATION POLICY

Introduction
In view of recovery, the Committee is recommending a new Remuneration Policy, in accordance with the need to update all policies to maintain alignment to the long-term interests of the Company and its shareholders, effective as of 1 January 2022 (the 'Policy').

The Board has considered the likely consequences of the decision in the long term and has engaged directly with stakeholders in 2021 before proposing the Policy. The Board has considered the interests of employees, shareholders and other stakeholders, the impact of the Company's operations on the community and environment and the Company's reputation and various social and corporate governance factors before proposing the Policy.

The Policy has been crafted in consideration of the Code as well as secondary legislation and updated guidelines by major proxy advisers and governance teams of major institutional investors as explained in the 2021 Annual Report.

The Company's approach continues to be intended to:

- 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; and
- 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.

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, we will be asking shareholders, at our 2022 Annual General Meeting, for an advisory vote on this Policy, which summarises the remuneration outcomes for 2021 and explains how we intend to apply the Policy in 2022.

Policy tables
(1) Base salary

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.
Operation	Salaries in the Group are based on the value of the individual, the level of responsibility, experience and market conditions. Salaries are reviewed at least annually but not necessarily increased. The Committee may award salary increases at other times of the year if it considers such an award to be appropriate. In reviewing salaries, salaries are benchmarked against appropriate comparable organisations and account is taken of significant changes in role, levels of pay in the broader workforce, the Group's performance, inflation and budgets.
Maximum potential value	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.

Remuneration report
continued

(2) Benefits

Purpose and link to strategy	To provide market competitive benefits consistent with role.
Operation	Benefits vary between regions and would typically include annual leave, well-being 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.
Maximum potential value	We do not consider it appropriate to set a maximum benefits value as this may change periodically and by region.

(3) Pensions

Purpose and link to strategy	To attract and retain talent by enabling long-term pension saving.
Operation	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.
Maximum potential value	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

Purpose and link to strategy	To incentivise and reward the delivery of near-term business targets and objectives.
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, restatement of prior year results, corporate failure, or serious reputational damage to any Group company.
Maximum potential value	150% of base salary.
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.

(5) Long-term share incentive plan

Purpose and link to strategy	The LTIP scheme adopted in 2020 allowed 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. In particular, the salary-related awards that were offered to key employees in 2020 were aimed at preserving cash flow, while incentivising key employees to support the Group in its recovery from the pandemic and linking-in with our succession planning. Prior to the salary-related options being formally offered to the relevant employees, proposals were discussed with the relevant individuals, providing the opportunity for questions to be answered. The grant of the market value options in conjunction with the salary-related awards was initiated with a target of ensuring the executives are motivated, rewarded and incentivised to continue in their roles over the coming three years of anticipated recovery of the Company and the wider industry from the pandemic. On 30 June 2021, the Company announced that since the above plan was announced, additional guidance has been issued by the relevant Dutch authorities in relation to the Dutch furlough scheme (known as 'NOW') which makes it clear that the grant of such market value options might contravene the conditions of NOW. As a result, the relevant key employees have voluntarily agreed to surrender the awards granted under the 2020 LTIP announced on 12 November 2020. For as long as the Group benefits from the Dutch governmental support under the NOW scheme, the grant of LTIP awards is suspended.
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.
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.
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.

Remuneration report
continued

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.

Non-Executive Directors' fees

Base fee	The Non-Executive Director fees are decided by the Board in accordance with the Company's articles of incorporation. This fee is the same for each Non-Executive Director.
Chairman fee	In the case of the Chairman and Deputy Chairman, both receive a set fee which is set by the Remuneration Committee and agreed by the Board. The Chairman's fee is determined by taking into account the time commitment and responsibilities of the role, as well as the roleholder'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). 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

Term and termination	Boris Ivesha has a contract which may be terminated on 12 months' notice by the Group or 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. 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.

Terms of appointment

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 June 2007	Indefinite	Yes	3 months
Boris Ivesha	14 June 2007	Indefinite	Yes	12 months from Group; 6 months from Boris Ivesha to the Group
Daniel Kos	27 February 2018	Indefinite	Yes	6 months from Group; 3 months from Daniel Kos to the Group
Kevin McAuliffe	15 June 2007	Annual General Meeting 2024	Yes	3 months
Ken Bradley	4 September 2019	Annual General Meeting 2024	Yes	3 months
Nigel Keen	20 February 2020	Annual General Meeting 2024	Yes	3 months
Stephanie Coxon	7 August 2020	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.

Remuneration report
continued

The appointment of each of the Non-Executive Directors is for an initial period of three years, which 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.

Policy on remuneration on recruitment
Reward packages for new Executive Directors will be consistent with the above Remuneration Policy. Fixed remuneration elements would be paid only from the date of employment and any bonus will be pro-rated to reflect the proportion of the year employed. The maximum level of variable remuneration is as stated in the policy table on pages 123 to 125.

The Committee retains discretion to make appropriate remuneration decisions outside the standard remuneration policy to meet the individual circumstances when: (i) an interim appointment is made to a fill an Executive Director role on a short-term basis; or (ii) exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function 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.

Change of control
All the Company's share plans contain provisions relating to change of control. In general, outstanding awards would normally vest and become exercisable on a change of control. Awards will, however, only vest to the extent that any applicable performance conditions have been satisfied at that time and (in the case of performance share awards and unless the Committee determines otherwise) a time pro-rata reduction to reflect the proportion of the vesting period that has elapsed. Any deferred bonus shares will be released in full on change of control.

External directorships
Executive Directors may, if so authorised by the Board, accept appointments as Non-Executive Directors of suitable companies and organisations outside the Group and retain any associated fees.

Decision-making process followed for the remuneration policy's determination, review and implementation
The Committee has considered the impact of the pandemic and sacrifice of remuneration by senior management during the last 24 months and put forward the Policy to an advisory shareholder vote which is reflective of the challenging conditions, enhanced work and responsibility, and the continued sacrifice, senior management's roles will entail. The Committee considers it a key priority for the future success of the Group and the ability to unlock shareholder value that senior management be aligned to the interests of the Group. These changes include increases to incentive levels to align with the adjusted market position as well as the introduction of other policy measures sought by institutions and investors, some of which are developing in the marketplace.

For so long as the Group is being supported by the Dutch NOW scheme in 2022, any incentives to the Executive Leadership Team in respect of 2022 will need to be suspended.

The Committee avoids conflicts of interest by all of its members being independent Non-Executive Directors. The Committee's terms of reference can be found on the Group's website at www.pphe.com, which contains further details on the independence of the members of the Committee. While the Committee receives information from the Company and advice from its remuneration advisers, it makes decisions using its own independent judgment.

Pay and conditions throughout the Group
The pay and conditions of employees throughout the Group are considered by the Committee in setting policy for the Executive Directors and senior management.
The Committee is kept regularly informed on the pay and benefits provided to employees, and base salary increase data from the annual salary review for general staff is considered when reviewing Executive Directors' salaries and those of senior management. The Committee does not consult with employees when setting the remuneration policy for the Executive Directors.

Difference in the Company's policy on remuneration of Directors compared to employees
The policy for the Executive Directors and C-suite is designed with pay and conditions throughout the Group in mind.
The Committee believes that some differences are necessary to reflect responsibility and provide appropriate focus and motivation for delivery of the Group's strategy. Executive Directors, therefore, have a higher bonus opportunity than employees generally to motivate them to achieve stretching annual targets, and they participate in the LTIP to provide focus on long-term sustainable performance.
This approach is designed to provide an appropriate emphasis on performance-related pay.

Consideration of shareholder views
The Company is committed to ongoing dialogue with shareholders and welcomes feedback on Directors' remuneration. Feedback received from meetings during the year and in relation to the Annual General Meeting is considered, together with guidance from shareholder representative bodies more generally, and taken into account in the annual review of the policy. The Committee believes that it has a responsible approach to Directors' pay and that its policy is appropriate and fit for purpose.

Shareholder vote
We will be asking shareholders, at our 2022 Annual General Meeting, for an advisory to vote on this report, which summarises the remuneration outcomes for 2021 and explains how we intend to apply the Policy in 2022.

Directors' remuneration table 2021

		Base salary and fees		Salary sacrifice options		Additional remuneration		Annual bonus		Pension contributions		Retention award		Other benefits		Total	
Director	Position	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Boris Ivesha[1]	President & CEO	438,132	312,672[2]			–	–	–	–	100,000[3]	100,000	–	–	16,352	15,795	554,484	428,467
Daniel Kos[1]	CFO	314,529[4]	267,139[5]	46,670[5]	9,334[5]			–[6]	75,000[14]	14,574	13,748	–	–[7]	–	–	375,773	365,221
Eli Papouchado	Non-Executive Chairman	200,000	150,000[8]			–	–	–	–	–	–	–	–	–	–	200,000	150,000
Kevin McAuliffe	Non-Executive Deputy Chairman	100,000	77,500					–	–	–	–	–	–	–	–	100,000	77,500
Ken Bradley	Non-Executive Director	55,700	42,083			–	–	–	–	–	–	–	–	–	–	55,700	42,083
Nigel Keen	Non-Executive Director	58,220	37,771[10]													58,220	37,771
Stephanie Coxon[11]	Non-Executive Director	55,700	17,543					–	–	–	–	–	–	–	–	55,700	17,543
Nigel Jones[15]	Non-Executive Director	–	23,810			–	–	–	–	–	–	–	–	–	–	–	23,810
Dawn Morgan[16]	Non-Executive Director	–	33,953			–	–	–	–	–	–	–	–	–	–	–	33,953
		1,222,281[12]	**962,471[9]**	**46,670**	**9,334**	**–**	**–**	**–**	**75,000**	**114,574**	**113,748**	**–**	**–**	**16,352**	**15,795**	**1,399,877**	**1,176,348**

Options

Director	Number of options	Number vested as at 31 December 2021	Exercise price
Daniel Kos[13]	25,000	25,000	14.3
	4308	4,308	0

1. Boris Ivesha and Daniel Kos' remuneration is denominated in € and converted to £ at average exchange rate for presentation purposes.
2. Boris Ivesha sacrificed full base salary during Q2 2020.
3. Boris Ivesha's pension contribution shall be reduced to 10% of his base salary as of 1 January 2022 to align with senior executives across the workforce.
4. Daniel Kos received a base salary increase in July 2021, bringing his annual base salary to €525,000. The Executive Leadership Team, including Daniel Kos, agreed to waive any rights under cash and/or share incentives in 2020–2021 in connection with the government support received under the NOW scheme in the Netherlands during these years.
5. In Q2 2020, Daniel Kos sacrificed 20% of his base salary. Daniel further agreed to exchange 20% of his base salary for 12 months as of 1 November 2020 with nil-cost options in accordance with the salary option plan (see Note 13 on page 175).
6. Daniel Kos will not be paid an annual bonus in respect of performance and targets achieved during the 2020 and 2021 financial years.
7. In July 2021, Daniel Kos agreed to waive any and all accrued and prospective rights in the retention bonus in line with the requirements of the NOW scheme for executives to forego any incentives beyond the base salary. The retention scheme was in effect as of accruing an amount of £50,000 cash per year, payable on the 5th anniversary of joining only if the participant remains in employment subject to leaver provisions. This scheme has been terminated and will not be renewed under the Policy.
8. Mr Papouchado sacrificed full salary during Q2 2020.
9. Each Non-Executive Director, who was on the Board during Q2 2020, voluntarily directed the charitable donation of 50% of their Q2 2020 gross quarterly fees and 20% of their Q3 2020 and Q4 2020 gross fees to Hospitality Action, a UK registered charity for the hospitality industry.
10. Nigel Keen was appointed to the Board on 20 February 2020. He, therefore, voluntarily directed the charitable donation of 50% of their Q2 2020 gross quarterly fees and 20% of their Q3 and Q4 2020 gross fees to Hospitality Action, a UK registered charity for the hospitality industry.
11. Stephanie Coxon was appointed to the Board on 7 August 2020.
12. 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 2021, the total fee for Boris' services amounted to HRK147,368 (£16,807) (2020: HRK140,560 (£16,591)), the total fee for Kevin McAuliffe's services amounted to HRK147,368 (£16,807) (2020: HRK140,560 (£16,591)) and the total fee for Yoav Papouchado's services amounted to HRK147,368 (£16,807) (2020: HRK140,560 (£16,591)). It should be noted that Yoav Papouchado is not remunerated for his position as an Alternate Director of the Company.
13. In July 2021, Daniel Kos agreed to voluntarily waive his rights in connection with the grant of 100,000 market value options in October 2020 given the underlying requirements of the NOW scheme issued in the Netherlands which is further detailed at Note 4.
14. The annual bonus in 2020 refers to targets achieved over the year 2019. Daniel Kos agreed to defer payment of this bonus, which eventually paid out in the summer of 2021.
15. Nigel Jones retired from the Board on 19 May 2020.
16. Dawn Morgan retired from the Board on 30 September 2020.

Remuneration report
continued

Gender pay gap
Our statutory reporting is available on the Company's website.

The anomalous circumstances produced by the pandemic have presented us with a real challenge in how to report transparently on our gender pay gap. Fluctuating workforce patterns created by pandemic conditions, such as the need to furlough some staff, and conduct recruitment exercises for others when travel restrictions eased, provided both challenges and opportunities to ensure we are monitoring and paying fair, living wages to our workforce. We are committed to leading by example, so ensuring that senior remuneration is proportionate to the conditions faced by the workforce.

Nigel Keen
Non-Executive Director
Chair of the Remuneration Committee

Directors' report

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

The Strategic report and Directors' report together are the Management report for the purposes of Rule 4.1.8R of the DTR.

The following matters have been included in the Strategic report but are incorporated by reference into this Directors' report:

Topic	Section of the report	Page
Fair view of the Company's business	Strategic report	2 to 25
Principal risks and uncertainties	Strategic progress in 2020, Our approach to risk management and principal risks and uncertainties	26 to 34
Strategy	Strategic report	24
Business model	Our business model	22
Important events impacting the business	Strategic report	35 to 36
Likely future developments	Our pipeline	42 to 43
Financial key performance indicators	Highlights	Highlights
Non-financial key performance indicators	Stakeholder engagement, Team member engagement	68 to 73
Environmental matters	Responsible business	74 to 89
Company's employees	Highlights	Highlights
Social, community and human rights issues	Responsible business	74 to 81
S172 and relationship with suppliers, customers and others	Deputy Chairman's statement	90 to 92
Greenhouse gas emissions	Directors' report	134
Directors' induction and training	Directors' induction	112

The following matters have been included in the Corporate Governance report but are incorporated by reference into this Directors' report:

Gender breakdown of Board and leadership	Diversity report	114

Directors' report
continued

Appointment and replacement of Directors
Pursuant to the Articles, the Board has the power to appoint any person to be a Director. At every general meeting, a minimum of one third of the Directors shall retire from office. No person, other than a Director retiring at a general meeting, shall, unless recommended by the Directors, be eligible for election at a general meeting as a Director unless notice has been received from such person. In accordance with the Code and good corporate governance practice, the entire Board will stand for re-election at the forthcoming Annual General Meeting.

Pursuant to the Articles, Euro Plaza Holdings B.V. ('Euro Plaza') may:

– nominate two Non-Executive Directors to the Board for so long as Euro Plaza and its associates directly or indirectly control at least 30% of the issued shares in the Company; and
– nominate one Non-Executive Director to the Board for so long as Euro Plaza and its associates control at least 10% but less than 30% of the issued shares of the Company.

Pursuant to the Articles, Molteno Limited may nominate one Non-Executive Director to the Board for so long as Molteno Limited and its associates directly or indirectly control at least 10% of the issued shares in the Company.

The shareholders may, by ordinary resolution, resolve to remove any Director before the expiration of his or her period of office and appoint a replacement Director.

Share capital
The issued share capital of the Company together with the details of the movements in the Company's share capital during the year are shown in Note 12 to the consolidated financial statements.

Shares
There is currently only one class of share in issue (being ordinary shares) which all carry the same rights as one another. There are no shares in the Company which carry special rights with regard to control of the Company.

The following limitations on voting rights of shareholders apply:

– The Board may suspend the voting rights attached to any shares owned directly, indirectly or beneficially by a Non-Qualified Holder (as defined in the Articles)
– The Directors may at any time make calls upon the shareholders in respect of any unpaid shares. No shareholder is entitled to vote unless all calls due from him have been paid

The following deadlines for exercising voting rights apply:

– A written resolution will state a date by which the resolution must be passed. The Law imposes a default lapse date of 28 days from circulation of the written resolution if no lapse date is specified
– In the case of resolutions passed at general meetings of shareholders, voting rights may only be exercised at the time the resolution is proposed at the meeting

Any arrangements by which the financial rights to shares are held by a person other than the registered shareholder would be by agreement between the shareholder and the beneficiary. The Company is not obliged to recognise any such trust arrangements and shall pay any dividends to the registered shareholder.

With the prior approval of the shareholders by ordinary resolution, the Board may exercise all powers of the Company to allot and issue, grant rights to subscribe for, or to convert any securities into, an unlimited number of shares of each class in the Company.

Unless such shares are to be wholly or partly paid otherwise than in cash or are allotted or issued pursuant to an employee share scheme, any shares to be allotted and issued must first be offered to the existing shareholders on the same or more favourable terms.

The Company may from time to time acquire its own shares subject to the requirements of the Law. The Law requires the prior approval of any share buy-back by way of ordinary resolution of the shareholders and a certification by the Board that the Company satisfies the solvency test set out in the Law.

Articles
The Articles may be amended at any time by passing a special resolution of the shareholders pursuant to the Law. A special resolution is passed by a majority of not less than 75% of the votes of the shareholders entitled to vote and voting in person or by attorney or by proxy at a meeting or by 75% of the total voting rights of eligible members by written resolution.

Substantial share interest
The table provided on page 133 shows shareholders holding 5% or more of the issued share capital (excluding treasury shares) as at 25 February 2022

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 25 February 2022.

Number of issued shares	44,347,410
Shares held in treasury by the Group	1,806,643
Number of issued shares (excluding treasury)	42,540,767

Shareholders with holdings of 5% or more of the Company's issued share capital (excluding treasury) as at 25 February 2022.

	Number of ordinary shares	Percentage of the Company's issued share capital[1]
Eli Papouchado[2]	13,760,260	32.35
Boris Ivesha[3]	4,636,974	10.90
Aroundtown Property Holdings	4,344,788	10.21
Clal Insurance Enterprises Holdings	3,501,930	8.23
Harel Insurance Investments and Financial Services	2,577,760	6.06

1. Excludes shares held in treasury.
2. Eli Papouchado is deemed to be interested in the ordinary shares held by Euro Plaza, Red Sea Club Limited and A.A. Papo Trust Company Limited.
3. Boris Ivesha (the President and Chief Executive Officer of the Company) is deemed to be interested in 4,636,974 ordinary shares held by Walford which is wholly owned by Clermont, as trustee of certain trusts established for the benefit of Boris Ivesha and his family.

Controlling shareholders
The Company's immediate controlling shareholders are Euro Plaza Holdings B.V. and Walford Investments Holdings Limited ('Walford'). Euro Plaza is ultimately controlled by Eli Papouchado, acting in his capacity as trustee of an endowment created under Israeli law ('the Endowment'). Walford is ultimately controlled by Clermont Corporate Services Limited ('Clermont'), a professional corporate trustee in its capacity as trustee of certain trusts established for the benefit of Boris Ivesha and his family. As required under Listing Rule 9.2.2 R(1), the Company has entered into separate relationship agreements with: (i) Euro Plaza and Eli Papouchado (acting in his capacity as trustee of the Endowment); and (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. Mr Eli Papouchado is cleared to be the representative of Euro Plaza and Mr Boris Ivesha is cleared to be the representative of Watford for these purposes.

DTR disclosures
Eli Papouchado is deemed to be interested in 13,760,260 ordinary shares, which constitutes 32.35% of the issued share capital (excluding treasury shares) of the Company:

– 12,207,843 ordinary shares held by Euro Plaza;
– Euro Plaza is an indirect wholly owned subsidiary of A.P.Y. Investments & Real Estate Ltd ('APY'). 98% of the shares in APY are held by Eli Papouchado;
– 22,417 ordinary shares held by Red Sea Club Limited, a subsidiary of APY; and
– 1,530,000 ordinary shares held by A.A. Papo Trust Company Limited, which is wholly owned by Eli Papouchado.

Boris Ivesha is deemed to be interested in 4,636,974 ordinary shares, which constitutes 10.90% of the issued share capital (excluding treasury shares) of the Company. The shares are held by Walford which is wholly owned by Clermont, as trustee of certain trusts established for the benefit of Boris Ivesha and his family.

Eli Papouchado, Euro Plaza, APY and A.A. Papo Trust Company Limited and other parties related to him (together the 'Red Sea Parties') and Walford, Clermont, Boris Ivesha and other parties related to him (together the 'Ivesha Parties') are a party to a shareholders agreement dated 14 March 2013 (as amended from time to time) (the 'Shareholders Agreement'). Pursuant to the Shareholders Agreement, it has been agreed that for so long as, inter alia, the combined interests of the Ivesha Parties and the Red Sea Parties in the Company are not less than 30% and the Red Sea Parties' interest in the Company is at least 20% of the share capital then in issue (excluding, in both cases, shares held in treasury), on any shareholder resolution all shares held by the Ivesha Parties shall be voted in a manner which is consistent with the votes cast by, or on behalf of, the Red Sea Parties in respect of that resolution. As a result, the Red Sea Parties are all considered to be interested in the shares in which the Ivesha Parties are interested.

Article 19 of the Market Abuse Regulation
The interests of each Director disclosed to the Company under Article 19 of the Market Abuse Regulation as at the end of the financial year are set out above and on page 95. There have been no changes in the interests of each Director in the period between the end of the financial year and 25 February 2022.

Directors' report
continued

Listing Rule 9.8.4R
The following table is disclosed pursuant to Listing Rule 9.8.4R. The table sets out only those sections of Listing Rule 9.8.4R which are applicable to the Company. The information required to be disclosed can be located in the Annual Report at the references set out below:

Section	Information	Location
4	Details of long-term incentive schemes	Note 13 to the consolidated financial statements
10	Contracts of significance	Notes 14, 15 and 30 to the consolidated financial statements
11	Provision of services by a controlling shareholder	Note 30 to the consolidated financial statements
14	Controlling shareholder statement	Directors' report

DTR 7.2.8
The following table is disclosed pursuant to DTR 7.2.8.

Requirement	Page
Diversity Policy	110

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 below.

Total Emission Scope

Emission type	Total volume (kWh)	Calculated emissions (tonnes of CO_2e)
Scope 1 (direct)	20,280,122	3,725
Scope 2 (indirect)	23,338,586	4,955
Scope 3 (indirect)	–	–
Total	**43,618,708**	**8,680**

Emission	Year 1 2019–2020	Year 2 2020–2021
Tonnes of CO_2e	8,379	8,680
Intensity Ratio (tCO_2/Turnover £m)	148.30	115.27

Quantification and reporting methodology
The organisation has taken guidance from the UK Government Environmental Reporting Guidelines (March 2019), the GHG Reporting Protocol – Corporate Standard, and from the UK Government GHG Conversion Factors for Company Reporting document for calculating carbon emissions. Energy usage information (gas and electricity) has been obtained directly from their energy suppliers and half-hourly (HH) data, where available, for the HH supplies (there was no estimation profiling required). Flat profile estimation techniques were used for one NHH supply and for all gas supplies for the month of December as data was not available at the time of producing the report. Transport mileage data was obtained from expense claims submitted for our Company cars. CO_2e emissions were calculated using the appropriate emission factors from the UK Government GHG conversion information.

Energy efficiency action
For energy efficiency actions, please see Our Planet section on pages 83 to 86.

Auditors
Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Going concern
The Board believes it is taking all appropriate steps to support the sustainability and growth of the Group's activities. Since the start of the COVID-19 pandemic multiple cash flow forecasts showing various scenarios for the period of 12 months from the date of signing these financial statements have been reviewed as part of the Group's three-year forecast to 31 December 2024, as set out on page 35. In determining the assumptions used in cash flow forecasts, the Directors considered various third party market predictions and considered the current principal and emerging risks facing the Group while focusing specifically on COVID-19 and the impact this could have on future performance and liquidity of the Group. Based on these cash flow forecasts, the Directors confirm they have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. This, taken together with their conclusions in Note 1(c) to the consolidated financial statements, has led the Directors to conclude that it is appropriate to prepare the 2021 consolidated financial statements on a going concern basis.

Financial risk management objectives and policies
In addition, Note 31 to the consolidated financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

Directors' responsibilities
The Directors are required to prepare the Annual Report and the consolidated financial statements for each financial year to give a true and fair view of the state of affairs of the Company and the undertakings included in the consolidation taken as a whole as at the end of the financial year, and of the profit or loss for that year.

In preparing the consolidated financial statements, the Directors should:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the consolidated financial statements. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the consolidated financial statements have been properly prepared in accordance with the Law. The Directors are responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' declaration
So far as each of the Directors, who is a Director at the time the Directors' report is approved, is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

Directors' responsibility statement
Each of the directors named on pages 95 and 96 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

Daniel Kos
Chief Financial Officer & Executive Director
28 February 2022

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 2021, 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 2021 and of its financial performance and its cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), including the 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 2021. 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 each 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 these matters. 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 matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters 2021

1. Assessment of liquidity risks

As discussed in Note 1c to the consolidated financial statements, in 2021, COVID-19 continued to cause severe disruption to the global hospitality sector, with government imposed domestic and international travel restrictions and social distancing measures in place during the year. Note 1c describes the impact of the pandemic on the Group's business in 2021 and management's actions.

We determined that this situation is a significant audit risk due to possible breaches of loan covenants, and due to the effects of uncertainty of adequate funding on the Group's assessment of liquidity risk. This assessment is largely based on management expectations and estimates. The assumptions are affected by subjective elements such as the estimate of expected future cash flows, forecasted results and margins from operational activities, and the ability to meet financial covenants. These estimates are based on assumptions, including expectations of future economic and market developments related to the long-term impact of COVID-19.

How our audit addressed the matter

We evaluated the Directors' assessment of liquidity risk and performed the following procedures:

- We obtained management's cash flow forecasts used to support the Directors' liquidity risk assessment and evaluated the key assumptions in the forecasts and considered whether these were supported by the evidence we obtained, including Board approved budgets.
- We tested the integrity of the underlying calculations and performed sensitivity analyses on the key drivers of the cash flow forecasts.
- We considered the reasonableness of a severe but plausible downside scenario and the determination of sufficient liquidity headroom.
- We obtained evidence supporting the Group's receipt of loan covenant waivers, as necessary, to avoid defaults for a period beyond at least 12 months from the date of approval of the consolidated financial statements.
- We reviewed the suitability and adequacy of the disclosures in the consolidated financial statements explaining the impact of COVID-19 on the results of operations, and the Directors' explanation of their assessment of the liquidity risk that was consistent with the evidence we obtained.

2. Decentralised operations

As discussed in Notes 1b and 29 to the consolidated financial statements, the Group comprises more than 100 legal entities, grouped in five reportable segments. The geographical decentralised structure, multiplicity of IT systems and the number of Group entities (components) increase the complexity of the Group's control environment and thus, 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 obtained an understanding of the Group's internal controls, including the centralised monitoring controls that exist at both Group and segment level. The Group has developed an internal control framework with control activities that are required to be implemented by the components. Management continually reviews their systems and procedures for improvements and harmonisation across the Group.

During our audit, we have specifically focused on risks in relation to the decentralised structure and as a result, we have extended our involvement in audit work performed by the components' auditors. Among other audit procedures, we organised video conference calls with components' auditors. We have also requested components' auditors to specifically address certain risks and attention areas defined at group level, by requiring all teams to perform specific audit procedures in order to ensure a consistent approach in areas that were deemed most relevant from a group audit perspective to mitigate the risks identified by the group auditor. We also performed tests on consolidation adjustments and manual journal entries, both at Group and component level to obtain an understanding of significant entries made.

Other information included in the Group's 2021 Annual Report

Other information consists of the information included in the 2021 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 in the United Kingdom, we were engaged to review Management's statement pursuant to Section 9.8.6 R (6) of the Listing Rules of the Financial Conduct Authority that relate to provisions 6 and 24 to 29 of the UK Corporate Governance Code and Management Board's statement pursuant to Section 9.8.6 R (3) of Listing Rules of the Financial Conduct Authority in the financial year 2021 Including in the "viability statement" set out on page 35 of the management report and in the section "Going concern reporting according to the UK Corporate Governance Code" set out on page 135 of the management report. We have no exceptions to report.

The partner in charge of the audit resulting in this independent auditors' report is Ronen Kimchi.

RONEN KIMCHI
(For and on behalf of Kost Forer Gabbay & Kasierer, member of Ernst & Young Global)
Tel Aviv, Israel
28 FEBRUARY 2022

Consolidated statement of financial position

For the year ended 31 December 2021

	Note	As at 31 December 2021 £'000	2020 £'000
Assets			
Non-current assets:			
Intangible assets	4	**14,290**	17,754
Property, plant and equipment	5	**1,236,000**	1,201,358
Right-of-use assets	19	**215,921**	223,793
Investment in joint ventures	6	**4,315**	4,741
Other non-current assets	7	**16,386**	15,958
Restricted deposits and cash	14(b)	**8,121**	2,261
Deferred income tax asset	27	**10,221**	6,724
		1,505,254	1,472,589
Current assets:			
Restricted deposits and cash	14(b)	**5,204**	4,777
Inventories		**1,840**	2,260
Trade receivables	8	**6,811**	3,473
Other receivables and prepayments	9	**19,435**	8,044
Other current financial assets	10	**22**	27
Cash and cash equivalents	11	**136,802**	114,171
		170,114	132,752
Total assets		**1,675,368**	1,605,341

	Note	As at 31 December 2021 £'000	2020 £'000
Equity and liabilities			
Equity:	12		
Issued capital		**–**	–
Share premium		**131,229**	131,389
Treasury shares		**(3,482)**	(3,482)
Foreign currency translation reserve		**3,806**	20,804
Hedging reserve		**(434)**	(703)
Accumulated earnings		**147,350**	161,587
Attributable to equity holders of the parent		**278,469**	309,595
Non-controlling interests		**168,742**	95,358
Total equity		**447,211**	404,953
Non-current liabilities:			
Borrowings	15	**729,284**	721,006
Provision for concession fee on land	16	**5,057**	5,399
Financial liability in respect of Income Units sold to private investors	17	**124,551**	126,155
Other financial liabilities	18	**253,362**	244,818
Deferred income taxes	27	**7,236**	8,472
		1,119,490	1,105,850
Current liabilities:			
Trade payables		**16,650**	6,502
Other payables and accruals	20	**53,177**	51,667
Borrowings	15	**38,840**	36,369
		108,667	94,538
Total liabilities		**1,228,157**	1,200,388
Total equity and liabilities		**1,675,368**	1,605,341

The accompanying notes are an integral part of the consolidated financial statements. Date of approval of the financial statements 28 February 2022. 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 2021

	Note	Year ended 31 December 2021 £'000	2020 £'000
Revenues	21	**141,377**	101,787
Operating expenses	22	**(113,808)**	(110,870)
EBITDAR		**27,569**	(9,083)
Rental expenses	19	**(2,504)**	(1,004)
EBITDA		**25,065**	(10,087)
Depreciation and amortisation	4,5,19	**(43,283)**	(46,624)
EBIT		**(18,218)**	(56,711)
Financial expenses	23	**(31,369)**	(35,526)
Financial income	24	**333**	391
Other expenses	25a	**(9,418)**	(9,736)
Other income	25b	**3,784**	10,299
Net expenses for financial liability in respect of Income Units sold to private investors	26	**(1,949)**	(2,579)
Share in results of joint ventures	6	**(718)**	(826)
Loss before tax		**(57,555)**	(94,688)
Income tax benefit	27	**5,051**	724
Loss for the year		**(52,504)**	(93,964)
Loss attributable to:			
Equity holders of the parent		**(52,129)**	(81,731)
Non-controlling interests		**(375)**	(12,233)
		(52,504)	(93,964)
Basic and diluted loss per share (in Pound Sterling)	28	**(1.23)**	(1.92)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Year ended 31 December 2021 £'000	2020 £'000
Loss for the year	**(52,504)**	(93,964)
Other comprehensive income (loss) to be recycled through profit and loss in subsequent periods:*		
Loss from cash flow hedges	**507**	(90)
Foreign currency translation adjustments of foreign operations	**(23,083)**	16,867
Other comprehensive income (loss)	**(22,576)**	16,777
Total comprehensive loss	**(75,080)**	(77,187)
Total comprehensive loss attributable to:		
Equity holders of the parent	**(68,858)**	(69,069)
Non-controlling interests	**(6,222)**	(8,118)
	(75,080)	(77,187)

* 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 2021

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 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**
Balance as at 1 January 2020	–	130,260	(3,636)	8,094	(655)	243,233	377,296	103,465	480,761
Loss for the year	–	–	–	–	–	(81,731)	(81,731)	(12,233)	(93,964)
Other comprehensive income (loss) for the year	–	–	–	12,710	(48)	–	12,662	4,115	16,777
Total comprehensive income (loss)	–	–	–	12,710	(48)	(81,731)	(69,069)	(8,118)	(77,187)
Issue of shares	–	870	154	–	–	–	1,024	–	1,024
Share-based payments	–	259	–	–	–	85	344	75	419
Transactions with non-controlling interests (see Note 6)	–	–	–	–	–	–	–	(64)	(64)
Balance as at 31 December 2020	–	131,389	(3,482)	20,804	(703)	161,587	309,595	95,358	404,953

1 No par value.

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Cash flows from operating activities:			
Loss for the year		**(52,504)**	(93,964)
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		**33,318**	38,105
Financial income	24	**(333)**	(268)
Income tax benefit	27	**(5,051)**	(724)
Loss on buy-back of Income Units sold to private investors	25	**543**	–
Re-measurement of lease liability	25	**3,565**	3,369
Revaluation of Park Plaza County Hall London Units	25	**(602)**	2,402
Capital loss (gain) on sale of fixed assets, net	25	**(996)**	1,457
Gain from marketable securities	24	**–**	(123)
Impairment of property, plant and equipment	5	**4,424**	2,500
Impairment of right-of-use assets	19	**–**	2,781
Share in results of Joint Ventures	6	**718**	826
Share appreciation rights revaluation	25,6c(i)	**(1,750)**	–
Depreciation and amortisation	4, 5, 19	**38,859**	41,343
Share-based payments		**1,268**	419
		73,963	92,087
Changes in operating assets and liabilities:			
Decrease in inventories		**337**	143
(Increase) decrease in trade and other receivables		**(19,167)**	13,505
Increase (decrease) in trade and other payables		**21,679**	(8,529)
		2,849	5,119
Cash paid and received during the period for:			
Interest paid		**(33,729)**	(31,412)
Interest received		**316**	173
Taxes paid		**(469)**	(1,076)
Taxes received		**–**	365
		(33,882)	(31,950)
Net cash used in operating activities		**(9,574)**	(28,708)

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Cash flows from investing activities:			
Investments in property, plant and equipment	5	**(58,582)**	(57,388)
Disposal of property, plant and equipment		**1,406**	317
Investments in intangible assets	4	**(176)**	(305)
Acquisition of Londra & Cargill in Rome, Italy	3a	**(28,298)**	–
Acquisition of Arena Franz Ferdinand, Austria	3b	**(12,783)**	–
Acquisition of Hotel 88 Rooms in Belgrade, Serbia	3c	**–**	(5,350)
Loan to Joint Venture		**(400)**	(583)
Investment in Joint Venture	6	**–**	(2,207)
Increase in restricted cash		**(6,332)**	(1,613)
Decrease in marketable securities, net		**–**	5,318
Net cash used in investing activities		**(105,165)**	(61,811)
Cash flows from financing activities:			
Proceeds from loans and borrowings		**53,666**	56,948
Buy-back of Income Units previously sold to private investors		**(1,934)**	–
Repayment of loans and borrowings		**(26,653)**	(7,530)
Repayment of leases		**(6,825)**	(1,567)
Net proceeds from transactions with non-controlling interest		**124,562**	(64)
Exercise of options settled in cash		**(1,342)**	
Net cash provided by financing activities		**141,474**	47,787
Increase (decrease) in cash and cash equivalents		**26,735**	(42,732)
Net foreign exchange differences		**(4,104)**	3,874
Cash and cash equivalents at beginning of year		**114,171**	153,029
Cash and cash equivalents at end of year		**136,802**	114,171
Non-cash items:			
Lease additions and lease remeasurement		**4,226**	15,143
Outstanding payable on investments in property, plant and equipment		**3,469**	3,918
Issuance of shares for acquisition of art'otel rights		**–**	1,024

The accompanying notes are an integral part of the consolidated financial statements.

Notes to consolidated financial statements

For the year ended 31 December 2021

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 2021 were authorised for issuance in accordance with a resolution of the Directors on 28 February 2022.

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:

In 2021, the ongoing challenges presented by the pandemic continued to cause severe disruption to the global hospitality sector, with government-imposed domestic and international travel restrictions and social distancing measures in place for much of the year. The Group continued to take proactive measures to conserve cash in 2021. Actions mainly included utilisation of government support schemes available to the business across its market, such as government job support schemes (amounting to £12.1 million), reimbursement of fixed costs grants (amounting to £9.6 million) and the business rates holiday in the UK (amounting to saving of approximately £8 million). Furthermore, capital expenditure requirements for the Group's development pipeline have been prioritised, and discretionary spend has been reduced to business-critical investments only. The Board has not recommended a dividend payment to shareholders and future payments will be aligned to the recovery trajectory and performance of the business.

In 2021, the Group further strengthened its liquidity through raising £125.8 million in cash as part of its joint venture transaction with Clal (see note 6c(i)) and as at 31 December 2021 the Group continues to hold a strong liquidity position with an overall consolidated cash balance of £136.8 million. Furthermore, the Group fully repaid the drawn balance under the CLBILS facility and the Waterloo facility and currently has access to £76.8 million of undrawn facilities. Financial covenant testing of existing facilities have been postponed, where appropriate, to 2023 (see Note 15c).

Since the start of the COVID-19 pandemic multiple cash flow forecasts showing various scenarios have been modelled and reviewed by the Board to provide the basis for strategic actions taken across the business. The Directors have considered detailed cash flow projections for the next three-year period to 31 December 2024 which are constructed on a base case and a downside case basis. Having reviewed those scenarios together with the Group's strong cash position and the covenant waivers received, the Directors have a reasonable expectation that the Company is likely to continue in business for at least 12 months from the date of approval of the consolidated financial statements without implementing any further protective measures to the operational structure. Accordingly, the Directors continue to adopt the going concern basis in preparing the 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 2021 and 2020 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 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, income and expenses, and profits and losses resulting from intra-Group transactions are eliminated in full. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date on which such control ceases.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

c. Significant accounting 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.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 2 Summary of significant accounting policies continued

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.

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 27.

d. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs.

Note 2 Summary of significant accounting policies continued

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments is measured at fair value with the changes in fair value recognised in the income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

e. Business combinations involving entities under common control

The Group accounts for business combinations that include entities under common control using the acquisition method provided that the transaction has substance.

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.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 2 Summary of significant accounting policies continued

The aggregate of the Group's share of profit or loss of an associate or a joint venture is shown on the face of the income statement outside EBIT and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate and joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share in result of associate and joint ventures' in the income statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

g. Foreign currency translation

The functional currency of the Company is Pound Sterling. The consolidated financial statements are also presented in Pound Sterling.

Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the rates prevailing on the reporting date. Profits and losses arising from exchange differences are included in the income statement.

The assets and liabilities of the entities whose functional currency is not Pound Sterling are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Equity items are translated at the historical exchange rates. Exchange differences arising on the translation are recognised in other comprehensive income and classified as a separate component of equity (foreign currency translation reserve). Such translation differences are recognised in the income statement in the period in which the entity is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Exchange differences in respect of loans denominated in foreign currency which were granted by the Company to its subsidiaries are reflected in the foreign currency translation reserve in equity, as these loans are, in substance, a part of the Group's net investment in the foreign operation.

The following exchange rates in relation to Pound Sterling were prevailing at reporting dates:

	As at 31 December	
	2021 In Pound Sterling	2020 In Pound Sterling
Euro	**0.838**	0.897
Hungarian Forint	**0.002**	0.002
Croatian Kuna	**0.112**	0.119
US Dollar	**0.740**	0.731

Note 2 Summary of significant accounting policies continued

Percentage increase (decrease) in exchange rates during the year:

	As at 31 December	
	2021 %	2020 %
Euro	**(6.6)**	5.3
Hungarian Forint	**(6.7)**	(4.7)
Croatian Kuna	**(6.3)**	4.0
US Dollar	**1.2**	(3.8)

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.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 2 Summary of significant accounting policies continued

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.

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.

Note 2 Summary of significant accounting policies continued

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets that are debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

This category includes derivative instruments and listed equity investments. Dividends on listed equity investments are recognised as other income in the income statement when the right of payment has been established.

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.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 2 Summary of significant accounting policies continued

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, as measured at amortised cost (loans and borrowings and payables) or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

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 37 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.

Note 2 Summary of significant accounting policies continued

On completion of each sale of Income Units, the Company, through a wholly owned subsidiary, Marlbray Limited ('Marlbray'), entered into income swap agreements for five years with the private investors. The income swap agreements included an obligation of the investors to assign the right to receive the net income derived from the Income Units to Marlbray and an undertaking by Marlbray to pay to the investors an annual rent guarantee of approximately 6% of the purchase price for a five-year period commencing from the date of the completion of the sale. The income swap has been accounted for as a derivative. In 2015, Marlbray entered into 56 new income swap agreements for a further five years from the expiry date of the original income swap agreements on the same terms and conditions. In 2020 all the income swap agreements have expired.

The entire hotel is accounted for at cost less accumulated depreciation.

The replacement costs for the Income Units are fully reimbursed by the private investors. An amount of 4% of revenues is paid by the investors on an annual basis ('FF&E reserve') and is accounted for in profit and loss. The difference between the actual depreciation cost and the FF&E reserve is a timing difference which is recorded in the statement of financial position as a receivable or liability to the investor in each respective year.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

l. Inventories

Inventories include china, food and beverages and are valued at the lower of cost and net realisable value. Cost includes purchase cost on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

m. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

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.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 2 Summary of significant accounting policies continued

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.

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.

Note 2 Summary of significant accounting policies continued

Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability (advance payments received) is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

p. 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.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 2 Summary of significant accounting policies continued

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.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Other financial liabilities (see Note 18).

Variable lease payments that depend on an index:

On the commencement date, the Company uses the index rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Company is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

Variable lease payments:

Variable lease payments that do not depend on an index or interest rate but are based on performance or usage are recognised as an expense as incurred when the Company is the lessee, and are recognised as income as earned when the Company is the lessor.

Lease extension and termination options:

A non-cancellable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company 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.

Note 2 Summary of significant accounting policies continued

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.

r. Employee benefits

Share-based payments

The Board has adopted a share option plan, under which employees and Directors of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in Note 13.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting, irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pension

The Group has a defined contribution pension plan where the employer is liable only for the employer's part of the contribution towards an individual's pension plan.

The Group will have no legal obligation to pay further contributions. The contributions in the defined contribution plan are recognised as an expense and no additional provision is required in the consolidated financial statements.

s. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

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.

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.

Note 2 Summary of significant accounting policies continued

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 2021. Several other amendments and interpretations apply for the first time in 2021, 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.

COVID-19 related rent concessions beyond 30 June 2021
Amendment to IFRS 16

On 28 May 2020, the IASB issued COVID-19 Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

– A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
– Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
– Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

As at 31 December 2021 the Group had two variable interest bearing loans that were linked to the Pound Libor. After the reporting date those loan agreements were amended to replace the Pound Libor with sterling overnight index average (Sonia) effective from 2022. In line with the above practical expedient those loan amendments will be treated as changes to a floating interest rate. The Group does not expect the change in rates to have any significant impact on the future cash outflow from those loans.

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.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 2 Summary of significant accounting policies continued

The following standards have been issued by the IASB and are not yet effective or are subject to adoption by the European Union:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment/Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after beginning of the earliest period presented when the Group first applies the amendment. The amendment is not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'Directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group.

Note 2 Summary of significant accounting policies continued

IFRS 9 Financial Instruments – Fees in the '10%' test for derecognition of financial liabilities

As part of its 2018–2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group.

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 Judgements, 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 the 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.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 3 Business combination

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 101 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 early 2023 after completing the planned repositioning. 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.

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. If the combination had taken place at the beginning of the year, the effect on revenues and profit before tax of the Group 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.

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	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. If the combination had taken place at the beginning of the year, the effect on revenues and profit before tax of the Group would have been immaterial.

c. Acquisition of 88 Rooms Hotel in Belgrade, Serbia

On 29 December 2020 Arena Hospitality Group d.d., through its wholly owned subsidiary, successfully completed the acquisition of 88 Rooms Hotel in Belgrade (the 'hotel'). The transaction value amounted to HRK 45 million (£5.4 million).

The fair values of identifiable assets and liabilities of the hotel at the date of acquisition were as follows:

	Fair value £'000
Property, plant and equipment	5,322
Intangible assets	16
Trade and other receivables	37
Trade and other payables	(25)
Net assets	5,350
Cash flow on acquisition:	
Cash acquired with the subsidiary	10
Cash paid	(5,360)
Net cash outflow	(5,350)

If the acquisition had taken place as of 1 January 2020, the effect on prior year revenues and loss before tax of the Group would have been immaterial.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

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 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**
Cost:					
Balance as at 1 January 2020	20,391	20,846	2,532	3,128	46,897
Adjustment for exchange rate differences	1,084	1,108	119	128	2,439
Additions	–	–	1,248	81	1,329
Disposals	–	–	–	(6)	(6)
Acquisition of a subsidiary	–	–	–	16	16
Balance as at 31 December 2020	21,475	21,954	3,899	3,347	50,675
Accumulated amortisation:					
Balance as at 1 January 2020	12,689	13,084	1,645	1,443	28,861
Disposals	–	–	–	(6)	(6)
Amortisation	1,072	1,080	132	251	2,535
Adjustment for exchange rate differences	685	704	89	53	1,531
Balance as at 31 December 2020	14,446	14,868	1,866	1,741	32,921
Net book value as at 31 December 2020	7,029	7,086	2,033	1,606	17,754

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 6.5 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 6.5 years.

Note 4 Intangible assets continued

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 6.5 years. In December 2020, the Group acquired certain rights which were assigned to the vendor under the original agreement for a cash consideration of €0.3 million (£0.2 million) and 80,000 shares of the Company. The additional rights are amortised based on management's estimation of their useful life.

c. Other intangible assets

These include the brand name and internal domain obtained in the acquisition of Arena. The rights are being amortised over 20 years based on management's estimation of their useful life.

d. Impairment

The recoverable amount of the management and franchise rights have been determined based on internal value-in-use calculations.

Management rights – The value-in-use was estimated by applying the income approach. Under the Income Approach, fair value is dependent on the present value of future economic benefits to be derived from ownership of an asset.

Franchise rights – The value-in-use was estimated by applying the Relief from Royalties Approach, a common and accepted valuation technique used to estimate the fair market value of franchise rights. This method assumes that if the subject intangible assets were not already available, a market royalty rate would have to be paid on the development and use of comparable alternative intangible assets. An assumption of 6% royalty fee saving was used both for the Park Plaza® Hotels & Resorts and art'otel® franchise rights.

Given the adverse effect that COVID-19 had on the hospitality sector, management assumed that cash flow from management fees and royalty fee saving will gradually recover during 2022–2023, and returning to 2019 levels in 2024. The discount rate applied to the cash flow projections for both the management and franchise rights was set at 10% which includes a risk premium on top of the Group WAAC. Based on this analysis it was concluded that there is no need for impairment.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

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 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**
Cost:						
Balance as at 1 January 2020	315,743	661,672	14,410	137,789	206,221	1,335,835
Additions during the year	1,034	14,482	10,975	410	34,388	61,289
Disposal	–	(3,065)	–	–	(2,859)	(5,924)
Acquisition of subsidiaries	30,089	4,697	3,826	–	223	38,835
Reclassification	2	5,857	(5,473)	–	(386)	–
Adjustment for exchange rate differences	7,063	15,873	357	–	3,278	26,571
Balance as at 31 December 2020	353,931	699,516	24,095	138,199	240,865	1,456,606
Accumulated depreciation and impairment:						
Balance as at 1 January 2020	7,361	82,706	–	21,278	110,829	222,174
Provision for depreciation	329	13,744	–	1,157	16,149	31,379
Disposal	–	(1,543)	–	–	(2,607)	(4,150)
Reclassification	699	169	–	–	(868)	–
Impairment	2,500	–	–	–	–	2,500
Adjustment for exchange rate differences	154	1,857	–	–	1,334	3,345
Balance as at 31 December 2020	11,043	96,933	–	22,435	124,837	255,248
Net book value as at 31 December 2020	342,888	602,583	24,095	115,764	116,028	1,201,358

Note 5 Property, plant and equipment continued

1. This includes 498 rooms ('Income Units') (2020: 504) in Park Plaza Westminster Bridge London, for which the cash flows, derived from the net income generated by these Income Units, were sold to private investors (see Note 2(k)). The proceeds from the purchases have been accounted for as a variable rate financial liability (see Note 17).

a. For information regarding liens, see Note 14.

b. Impairment

The recoverable amount of property, plant and equipment had been determined based on third party valuations received for 31 December 2021. Given the adverse effect that COVID-19 had on the hospitality sector, the third party valuers assumed that cash flow from operations will gradually recover during 2022–2023, and returning to 2019 levels in 2024. The discount rates applied to cash flow projections was determined by the third party valuator and ranges between 7.5%–11%. In 2021, the Group recorded an impairment loss in respect of one property in the Management and Central Services segment in the amount of £4.4 million, which is included in depreciation, amortisation and impairment loss.

c. Capitalised borrowing costs

On 7 April 2020 the Group entered into a building contract to develop art'otel London Hoxton on a site located by Old Street, Rivington Street, Great Eastern Street and Bath Place, London EC1, which is expected to be completed in February 2024 (see Note 30c(i)). The cumulative expenditure for this project as at 31 December 2021 was £66.7 million (2020: £37.1 million).

The amount of borrowing costs capitalised related to this project during the year ended 31 December 2021 was £1.3 million (2020: £0.6 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was LIBOR +3.55%, which is the effective interest rate (EIR) of the specific borrowing.

d. Acquisitions:

Acquisition of the remaining interest in the joint venture in New York City

In January 2020 the Group acquired, from its joint venture partner, its 50% interest in W29 Development LLC, a Delaware limited liability company (the 'JV company'), for a total consideration of US$3.3 million (£2.2 million) plus associated acquisition costs (see also Note 6b). As a result, the Company now owns 100% of the JV company and the associated joint venture arrangements have been terminated. The acquisition, which was funded from the Company's existing cash resources has been accounted for as an acquisition of land in the amount of £33.5 million and assumption of related mortgage in the amount of £16.8 million.

Settlement with the Republic of Croatia related to, and the acquisition of, Guest House Hotel Riviera Pula

Arena has been operating Guest House Hotel Riviera ('Riviera') in Pula for decades and has been in discussions with the Croatian Ministry of State Assets to formalise the informal arrangement and acquire the property. Further to legal proceedings initiated by the Republic of Croatia against Arena for repossession of the property and compensation, Arena received the decision of the Government of the Republic of Croatia to enter into a proposed settlement offer for the aforementioned court dispute for Riviera. Based on the settlement entered into on 28 April 2020, Arena compensated the State for the previous use of the property with an amount of HRK 13.9 million (£1.6 million) and was entitled to buy Riviera as its rightful long-standing possessor. On 2 June 2020, Arena signed the sale and purchase agreement for Riviera with the Republic of Croatia for an amount of HRK 36.5 million (£4.4 million). The purchase concludes the ownership status of this hotel.

Note 6 Investment in joint ventures and subsidiaries with significant non-controlling interests

a. Investment in joint ventures

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Loans to joint ventures[1]	**5,222**	5,066
Share of net assets under equity method	**(907)**	(325)
Investment in joint ventures	**4,315**	4,741

1 The loans to joint ventures amount include a Euro loan bearing an interest of LIBOR +2.5% per annum which repayment is due on 7 June 2023.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 6 Investment in joint ventures and subsidiaries with significant non-controlling interests continued

The share in net loss amounts to £718 thousand (2020: net loss of £826 thousand).

b. Joint venture agreement in New York City

On 13 March 2019 the Company, through a wholly owned subsidiary, entered into a joint venture agreement with Largo 542 West 29th Street Partners LLC, an affiliate of Largo ('Largo'), a New York-based real estate development and investment firm, to acquire, through W29 Owner LLC (the 'Property Owner'), properties located at 538, 540 and 542 West 29th Street, New York, USA (together the 'Property'). PPHE Hotel Group has a 50% interest in the Property Owner.

The consideration paid for the acquisition of the Property was US$42.6 million (£33.3 million) plus associated acquisition and financing costs of US$2.9 million (£2.3 million) (the 'Property Acquisition'). The Property Acquisition was partly funded with a US$20.7 million (£16.2 million) loan (the 'Loan') from Bank Hapoalim B.M. (the 'Lender'). The Loan is secured by a first priority mortgage encumbering the Property. In addition, Largo and PPHE Hotel Group have delivered certain customary guarantees in favour of the Lender.

The total cash contributed by PPHE Hotel Group and Largo to the joint venture as of the acquisition date was US$17 million (£13.3 million) and US$7.8 million (£6.1 million), respectively. The extra cash contribution by PPHE Hotel Group of US$9.2 million (£7.2 million) is considered as a member loan which bears 8% interest.

Under the terms of the joint venture agreement, there was an intention to negotiate a construction agreement between the Property Owner and Largo as the contractor, provided certain conditions were met prior to the end of February 2020. However, in January 2020 the Company, through a wholly owned subsidiary, has acquired from Largo its 50% interest in the Property Owner, for a total consideration of US$3.3 million (£2.2 million) plus associated acquisition costs. As a result, the Company now owns 100% of the Property and the associated joint venture arrangements have been terminated. The acquisition was funded from the Company's existing cash resources.

c. Summarised financial information of subsidiary with material non-controlling interests

(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.

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

Note 6 Investment in joint ventures and subsidiaries with significant non-controlling interests continued

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 2021, the SAR instrument was valued internally at an amount of £5.4 million using the Black–Scholes model and is included (net of the current portion in the amount of £0.5 million) in Other financial liabilities 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	38.26%
Risk-free interest rate	0.825%
Years to expiration	6.5 years

The amount of loss and comprehensive loss allocated to the non-controlling interests in 2021 amounts to £2,199 thousand (2020: nil) and £2,199 thousand (2020: nil) respectively.

Below is selected financial information relating to the long-term partnership with Clal, as of 31 December 2021 and for the six months ended 31 December 2021.

	2021 £'000
Non-current assets	306,046
Current assets	15,891
Non-current liabilities	152,076
Current liabilities	10,327
Revenue	10,723
EBITDA	2,108
Loss for the period	(4,488)
Total comprehensive loss	(4,488)

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 6 Investment in joint ventures and subsidiaries with significant non-controlling interests continued

(ii) Arena Hospitality Group d.d.

As at 31 December 2021, the Company owned approximately 52.95% (2020: 52.95%) of Arena Hospitality Group d.d. ('Arena').The amount of profit and comprehensive loss allocated to the non-controlling interests in 2021 amounts to £1,824 thousand (2020: loss of £12,233 thousand) and £4,023 thousand (2020: loss of £8,118 thousand) respectively.

Below is selected financial information relating to Arena, as of 31 December 2021 and 2020, and for the years ended 31 December 2021 and 2020.

	As at 31 December	
	2021 £'000	2020 £'000
Non-current assets	**343,051**	328,687
Current assets	**49,884**	55,464
Non-current liabilities	**166,841**	159,649
Current liabilities	**31,458**	21,723
Revenue	**52,542**	28,129
EBITDA	**18,642**	(2,158)
Profit (loss) for the period	**4,115**	(26,292)
Total comprehensive loss	**(8,831)**	(17,544)

Note 7 Other non-current assets

a. Non-current financial assets

	As at 31 December	
	2021 £'000	2020 £'000
Income Units in Park Plaza County Hall London[1]	**15,800**	15,350
Rent security deposits	**346**	370
Other non-current assets	**240**	238
	16,386	15,958

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 £15.8 million based on an independent valuation prepared by Savills using a cap rate of 6%.

Note 8 Trade receivables

a. Composition:

	As at 31 December	
	2021 £'000	2020 £'000
Trade receivables	**7,701**	4,177
Less – allowance for doubtful debts	**(890)**	(704)
	6,811	3,473

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:

	2021 £'000
As at 1 January 2021	**(704)**
Write-off	**45**
Additions	**(265)**
Exchange rate differences	**34**
As at 31 December 2021	**(890)**
As at 1 January 2020	(877)
Write-off	243
Additions	(42)
Exchange rate differences	(28)
As at 31 December 2020	(704)

c. As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due			
2021	Total £'000	Not past due £'000	< 30 days £'000	31 to 60 days £'000	61 to 90 days £'00	> 90 days £'000
Trade receivables	**7,701**	**4,326**	**1,691**	**636**	**118**	**930**
Allowance for doubtful debts						**(890)**

			Past due			
2020	Total £'000	Not past due £'000	< 30 days £'000	31 to 60 days £'000	61 to 90 days £'00	> 90 days £'000
Trade receivables	4,177	2,702	378	59	69	969
Allowance for doubtful debts	(704)					(704)
	3,473	2,702	378	59	69	265

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 9 Other receivables and prepayments

	As at 31 December	
	2021 £'000	2020 £'000
Prepaid expenses	**5,352**	5,389
VAT	**6,686**	1,103
Related parties[1]	**56**	–
Government grants for fixed costs receivables	**6,285**	–
Others	**1,056**	1,552
	19,435	8,044

1 The amount owed by related parties bears no interest; see Note 30.

Note 10 Other current financial assets

	As at 31 December	
	2021 £'000	2020 £'000
Investment in marketable securities[1]	**22**	27

1 Classified as held for trading.

Note 11 Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Note 12 Equity

a. Share capital

The authorised share capital of the Company is represented by an unlimited number of ordinary shares with no par value.

As at 31 December 2021, the number of ordinary shares issued was 44,347,410 (2020: 44,347,410), 1,808,070 of which were held as treasury shares (2020: 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

On 29 September 2009, the Company purchased 862,000 of its ordinary shares at a price of 111 pence per share. On 26 October 2011, the Company purchased 800,000 of its ordinary shares at a price of 227 pence per share. On 29 August 2012, the Company purchased 200,000 of its ordinary shares at a price of 210 pence per share. On 18 October 2017, the Company purchased 41,070 of its ordinary shares at a price of 1,041 pence per share. On 27 February 2018, the Company issued 15,000 of its ordinary shares from its treasury account at a price of 1,070 pence per share. On 22 December 2020, the Company issued 80,000 of its ordinary shares from its treasury account at a price of 1,280 pence per share. The total number of treasury shares is 1,808,070.

c. Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

Hedging reserve

This reserve comprises the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Note 13 Share-based payments

The Company operates two option plans for the benefits of employees of the Group, the first was adopted in 2007 and the second was adopted in 2020.

2007 Option Plan

The 2007 Plan has two types of options: Option A and Option B. The exercise price of both options will not be less than the closing price of a share on the dealing day immediately preceding the grant date (as published in the Daily Official List of the London Stock Exchange). Option A vests over a period of three years from the grant date and Option B vests at the end of three years from the grant date. Unexercised options expire ten years after the grant date. The plan does not include any performance conditions.

As at 31 December 2021, there were 265,500 options outstanding under the 2007 Option Plan. These options were granted to employees of the Company in past years. No further grants can be made under this plan.

2020 PPHE Executive Share Option Plan

The Board has adopted a '2020 PPHE Executive Share Option Plan', under which employees of the Company and its subsidiaries receive remuneration in the form of share-based compensation. The plan has the following principal terms:

a. The plan has four types of options:

- Option A: market value options – options that are linked to the market value of the shares in the Company;
- Option B: salary-related options – whereby employees agree to a reduction in their base salary in exchange for the right to acquire shares at nil-cost. These options normally vest after 12 months subject to an additional six-month holding period;
- Option C: deferred bonus awards – allowing the award of the number of shares determined by the Remuneration Committee in lieu of some or all of the annual bonus; and
- Option D: performance share awards – options which are granted subject to specified performance targets. Notwithstanding the extent to which any performance target is satisfied, the number of vested award shares may be reduced by the Committee to ensure that the number of vested award shares is appropriate taking into account the underlying business performance of the Group.

These awards are subject to the rules of the PPHE Executive Incentive Plan 2020 which may include: long-term vesting periods prescribed by the Committee upon grant; good-leaver and bad-leaver provisions allowing the Committee to exercise discretion as to when it might be appropriate for an award to vest in spite of the relevant employee leaving the Group; post-vesting holding periods determined by the Committee at the time of the award; performance conditions; and share capital dilution limits. The plan allows dividends or dividend equivalents to accrue, subject to the Committee's discretion.

b. At any time, the total number of shares issued and/or available for grant (in a ten-year period) under the 2007 Share Option Plan, the 2020 PPHE Executive Incentive Plan and under any other employee share scheme which the Company may establish in the future may not exceed 5% of the Company's issued share capital at that time.

c. In October 2020, the Remuneration Committee approved the grant of 70,706 salary related options (Option B under the 2020 Option Plan) with a nil exercise price and 714,000 market-value options (Option A under the 2020 Option Plan) with an exercise price of 1,300 pence (being the closing price on 10 November 2020). In particular, the salary related awards that were offered to key employees in 2020 were aimed at preserving cash flow, while incentivising key employees to support the Group in its recovery from the pandemic and linking in with our succession planning. The salary related options have a vesting period of 12 months with a six months' holding period. With regard to the market-value share options granted in 2020, 300,000 shall vest in equal tranches, with 33.33% vesting each year for three years and 414,000 shall vest at the end of three years from the grant date.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 13 Share-based payments continued

The following lists the inputs to the binomial model used for the fair value measurement of the 714,000 market-value share options granted:

Dividend yield	0%
Expected volatility of the share prices	38.51%
Risk-free interest rate	–0.0412%
Expected life of share options	4.4 years
Weighted average share price at the grant date	1,300.0 pence
Fair value per option	407.0 pence

The following lists the inputs to the binomial model used for the fair value measurement of the 70,706 salary related share options granted:

Dividend yield	0%
Expected volatility of the share prices	38.51%
Risk-free interest rate	–0.0412%
Expected life of share options	4.4 years
Weighted average share price at the grant date	1,300.0 pence
Fair value per option	1,300.0 pence

The expected life of the share options is based on historical data, current expectations and empirical data. It is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility of similar listed companies over a period similar to the life of the options is indicative of future trends, which may not be reflective of the actual outcome.

c. The expense arising from equity-settled share-based payment transactions during 2021 was £1,085 thousand (2020: £259 thousand). Total exercisable options at 31 December 2021 amounted to 335,367 (2020: 352,242).

Note 13 Share-based payments continued

Movements during the year

The following table illustrates the number (No.) and weighted average exercise prices (EP) of, and movements in, share options during 2020 and 2021:

	No. of options A (2007 Option Plan)	No. of options A (2020 Option Plan))	No. of options B (2020 Option Plan)	EP
Outstanding as at 1 January 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**
Outstanding as at 1 January 2020	412,290	–	–	£9.58
Options forfeited during the year	–	–	–	–
Options exercised in the year	–	–	–	–
Options granted during the year	–	714,000	70,706	£11.83
Outstanding as at 31 December 2020	412,290	714,000	70,706	£11.05

1 In 2021, a few of the Group's employees have 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.

As at 31 December 2021 the number of exercisable options was 335,367 (2020: 352,242) with an EP of £8.64 (2020: £8.30).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 is 7.2 years (2020: 8.5 years).

Note 14 Pledges, contingent liabilities and commitments

a. Pledges, collateral and securities

Substantially all of the Group's assets and all of the rights connected or related to the ownership of the assets (including shares of subsidiaries and restricted deposits) are pledged in favour of banks and financial institutions as security for loans received. For most of the loans, specific assets are pledged as the sole security provided.

b. Restricted cash

Under certain facility agreements, funds need to be held in restricted deposit accounts in order to pay the debt service for a subsequent period. The total deposits held amount to £13.3 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 2021

Note 14 Pledges, contingent liabilities and commitments continued

(ii) Construction contract commitment

As at 31 December 2021, the Group had capital commitments amounting to £128.4 million for the construction of the development of art'otel London Hoxton.

(iii) Guarantees

1. In January 2013, the Company sold to Red Sea Hotels Limited ('Red Sea') all of the Company's shares in its subsidiary, Leno Finance Limited ('Leno'), the company through which the Company owned an interest in the site in Pattaya, Thailand (the 'Project'), and certain related loans and receivables, for a total consideration of Thai Baht 600 million.

   Under the terms of the United Overseas Bank (UOB) credit facilities received for the construction of the Project, the Company is obliged to provide certain financial support in the event of a cost overrun or funding shortfall in relation to the Project, to satisfy the payment of unpaid interest or fees until completion of the Project and, in certain circumstances, may be required to purchase serviced apartments after completion of the Project for a maximum of Thai Baht 600 million to fund any amounts that are outstanding under the UOB credit facilities. In addition, the Company undertook to take all necessary acts to ensure the completion of the Project as planned. Red Sea has agreed to indemnify the Company in respect of these continuing obligations (except for the obligation to purchase serviced apartments after completion where there is a continuing event of default) and as security Red Sea has pledged the shares held by it in Bali Hai Company Limited (the Thai subsidiary of Leno that owns and develops the Project) ('Bali Hai') and certain affiliated Thai companies.

   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 2021, the Company was in compliance with the aforementioned covenants.

   The Project encountered planning issues and as a result construction has been halted and the Company has been advised that the planning issues are unlikely to be resolved and that it is probable that Bali Hai will go into liquidation if such an application is filed by its creditors. UOB has secured judgment against Bali Hai for repayment of principal and interest. Recently the Project has been put out for sale on public auction and UOB, who has a first mortgage over the Project, will be entitled to receive the proceeds of such a sale and apply to liquidate Bali Hai for any shortfall.

   UOB has made demand of the Company for certain interest it contends is outstanding. The Company has responded to UOB and rejected its demands. The Company is working closely with Red Sea to refute UOB's demands (in respect of any liability for which the Company would benefit from the Red Sea indemnity). The Company is still waiting to see if and when UOB will initiate legal proceedings.

   As before, the Company continues to believe that, given the Red Sea indemnity in favour of the Company, it is not probable that any material outflow of resources embodying economic benefits will be required to settle the obligations of the Company under the sponsor support deed 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 14 Pledges, contingent liabilities and commitments continued

3. In March 2019, as part of the joint venture arrangements in relation to art'otel New York, the Company granted certain guarantees to Bank Hapoalim as lender under the US$22,150,000 facility to W29 Owner LLC, a direct and 100% subsidiary of the joint venture (W29 Development LLC). Further, the Company, in its capacity as guarantor under the facility, agreed to indemnify Bank Hapoalim for a breach of certain obligations under the loan agreement as well as for certain environmental issues in relation to the properties acquired by W29 Owner LLC up to an aggregate amount of US$33,225,000.
   This indemnification was a joint and several liability for the Company and the joint venture partner. Following the acquisition of the 50% membership interest in W29 Development LLC by the Company from its joint venture partner as well as the extension of the loan facilities, the Company is now the sole guarantor as the joint venture partner was released as part of the acquisition arrangements.

4. 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 .

5. 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 15 Borrowings

The borrowings of the Group are composed as follows:

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 14.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 15 Borrowings continued

As at 31 December 2020	€ denominated £'000	£ denominated £'000	$ denominated £'000	HRK denominated £'000	Total £'000
Fixed interest rate	237,798	420,540	–	26,816	685,154
Weighted average interest rate	2.22%	3.61%	–	1.94%	
Variable interest rate	21,845	41,550	16,183	–	79,578
Weighted average interest rate	1.83%	3.27%	3.50%	–	
Total	259,643	462,090	16,183	26,816	764,732
Weighted average interest rate	2.19%	3.58%	3.50%	1.94%	3.05%

Maturity analysis 2020	Outstanding amount	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Total borrowings	764,732	36,969	22,582	25,720	46,042	19,705	613,714
Capitalised transaction costs and other adjustments	(7,357)	(600)	(600)	(600)	(600)	(600)	(4,357)
	757,375	36,369	21,982	25,120	45,442	19,105	609,357

For securities and pledges, see Note 14.

b. Finance agreements entered in the period:

Grandis facility

On 25 June 2021, Grandis Netherlands Holding B.V., a wholly owned subsidiary of the Company ('Grandis'), 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 Hrvatska banka za obnovu i razvitak (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. As at 31 December 2021 the facility is undrawn.

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). As at 31 December 2021 this facility was fully drawn.

PPHE Living Limited financing agreement

On 29 January 2020, PPHE Living Limited, a wholly owned subsidiary of the Company, entered into a five-year loan agreement with Santander UK Plc of £1.64 million which is secured against the Old Bakery, a property purchased to provide staff accommodation. The loan is at a fixed rate of 2.25%. As at 31 December 2021 this facility was fully drawn.

art'otel London Hoxton financing

On 7 April 2020, the Group entered into a bilateral loan agreement with Bank Hapoalim B.M. for a facility of up to £180 million to fund the development of art'otel London Hoxton (the 'Hotel') on a site located by Old Street, Rivington Street, Great Eastern Street and Bath Place, London EC1 (the 'Site').

The initial maturity date of the facility is April 2024 with provisions, subject to certain conditions, to extend the facility by two periods of three years each. The facility bears an initial interest rate margin of 3.55% over LIBOR. The margin decreases to 2.95% following two consecutive quarters after practical completion of the Hotel. In addition, there is a fee for unutilised amount of 0.25%. As at 31 December 2021 £38.5 million was drawn from this facility.

Note 15 Borrowings continued

The facility contains customary debt service cover and loan-to-value financial covenants, applicable following practical completion of the Hotel, which must be complied with, subject to an ability to cure in certain circumstances through the injection of equity or prepayment (to the extent necessary) of the facility.

The facility is secured by, among other things, mortgages over the ownership interests in the Site and security over the shares in certain group companies that own such interests in the Site. The lenders benefits from completion and cost overrun guarantees provided by the Company.

Waterloo Hotel Holding B.V. financing agreement

On 23 June 2020 Waterloo Hotel Holding B.V., a wholly owned subsidiary of the Company, entered into a three-year, £20 million financing agreement with Santander UK Plc which bears an interest rate margin of 2.4% plus LIBOR. As at 31 December 2021 the facility is undrawn.

Guest House Hotel Riviera financing

On 7 July 2020 Arena entered into a new loan agreement with OTP banka d.d. in Croatia for the purchase and refurbishment of Guest House Hotel Riviera. The facility is in a total amount of €10 million (£9.1 million), maturing in 2030 at a fixed interest rate of 2.125%.

Park Plaza Hotels Europe B.V. facility

On 7 August 2020 Park Plaza Hotels Europe B.V., a wholly owned subsidiary of the Company, entered into a three-year, €10 million (£9.1 million), Dutch government backed COVID-19 go-arrangement financing agreement with ABN AMRO Bank N.V. which bears an interest rate of 2.9% plus EURIBOR per annum. As at 31 December 2021 this facility was fully drawn.

Park Plaza Hotels (UK) Limited facility

On 10 November 2020, Park Plaza Hotels (UK) Limited, a wholly owned subsidiary of the Company, entered into a revolving facility agreement with Santander UK Plc for up to £30 million pursuant to the Coronavirus Large Business Interruption Loan Scheme (CLBILS). The facility is provided on a three-year term and bears an interest rate margin on drawn amounts of 2.5% plus LIBOR during year one, with the margin increasing to 3% in years two and three. On 26 May 2021, Park Plaza Hotels (UK) Limited entered into an agreement with Santander UK Plc to extend the £30 million CLBILS facility to £40 million under the same terms and conditions. As at 31 December 2021 the facility is undrawn.

Hotel Brioni Pula financing agreement

On 8 December 2020 Arena entered into a new loan agreement with Erste Banka d.d. and Zagrebačka Banka d.d. in Croatia for the purpose of financing the refurbishment of Hotel Brioni Pula. The facility is in a total amount of €24 million (£21.5 million), maturing in 2033 at a fixed interest rate of 2.6%. As at 31 December 2021 €20.8 million (£17.5 million) of the loan was drawn.

88 Rooms Hotel in Belgrade, Serbia financing

On 17 December 2020 Arena entered into a new loan agreement with AIK Banka a.d. for the purchase of 88 Rooms Hotel in Belgrade, Serbia. The facility is in a total amount of €4.2 million (£3.8 million), maturing in 2025 at a fixed interest rate of 4.3%. As at 31 December 2021 the loan was fully drawn.

c. The following financial covenants must be complied with by the relevant Group companies:

(i) Under the two Aareal facilities, for 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 will be 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. After the reporting period, 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.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 15 Borrowings continued

(ii) Under the AIG Asset Management (Europe) Limited facility for Park Plaza Westminster Bridge London, the borrower must ensure that the aggregate amount of the outstanding facility does not exceed 70% of the value of the hotel as set out in the most recent valuation (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. After the reporting period, 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.

(iii) Under the facility arranged by Cornerstone Real Estate Advisers Europe LLP, a member of the MAFF Mutual Financial Group, for Park Plaza Victoria London, the borrower must ensure that the aggregate amount of the outstanding facility does not exceed 75% of the value of the hotel as set out in the most recent valuation (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. After the reporting period, 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.

(iv) Under the Bank Hapoalim Loan for three of the Group's UK hotels and the 46 units owned within Park Plaza County Hall London, the borrowers must ensure that the aggregate amount of the outstanding loan does not exceed 65% of the value of the properties and units secured (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 June 2020, the Group received a letter from the bank confirming that the historical debt service cover covenant testing will be postponed to 30 September 2021 and the loan amortisation for Q2–Q3 2020 will be postponed to the termination date of the loan. After the reporting period, the Group received from the bank a waiver for the DSCR and the 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. After the reporting period, 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.

(v) In March 2019, W29 Owner LLC entered into a loan agreement with Bank Hapoalim New York for an amount of US$22.15 million where PPHE Hotel Group is a guarantor. Under this agreement, PPHE Hotel Group must ensure that it maintains an aggregate net worth of at least US$33 million and have liquid assets with a market value of at least US$5 million. In February 2020, the Group exercised the extension option in this facility to extend the maturity date for a year until March 2021. In March 2021 it was agreed with the bank that the maturity date will be extended to September 2021 and in September 2021 the maturity date was further extended to 13 September 2022.

(vi) Under the Bank Hapoalim loan relating to art'otel London Hoxton, the borrower must ensure that the aggregate amount of the outstanding facility does not exceed 75% of the value of the hotel as set out in the most recent valuation from 7 April 2022 onwards. The borrower must also ensure that the DSCR is not less than 1.2 on each quarter test date starting from either 7 April 2025 or one year after practical completion. Any breach of the aforementioned covenants is subject to an equity cure option. In addition, on each test date, the total equity of PPHE Hotel Group must not be less than: (i) £150 million; and (ii) 20% of its asset value.

(vii) Under the £20 million financing agreement entered into by Waterloo Hotel Holding B.V. with Santander UK Plc on 23 June 2020, the borrower must ensure that the amount of the outstanding loan does not exceed 40% of the value of Park Plaza London Waterloo based on the most recent valuation. The DSCR must also not be less than 125% on each quarter with first test date being 30 September 2021. 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. After the reporting period, 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.

Note 15 Borrowings continued

(viii) Under the loan agreement granted by Santander UK Plc to Park Plaza Hotels (UK) Limited pursuant to the Coronavirus Large Business Interruption Loan Scheme (the 'CLBILS Facility'), the borrower must ensure that at all times its tangible net worth exceeds £300 million. In addition, the borrower must: (i) ensure that the UK borrowings to aggregate UK asset value does not at any time exceed 60%; (ii) ensure that on each test date, the UK interest cover ratio for the borrower and its subsidiaries is greater than 1.25 with first test date being 31 December 2021; (iii) in the event that the Waterloo facility referred to above at paragraph xii is repaid or cancelled, ensure that the aggregate market value of all hotels unencumbered by any security (determined in accordance with the most recent valuation of such hotels) is at least two times the amount of the total commitments under the CLBILS Facility; and (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. After the reporting period, 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.

(ix) Under the £1.6 million loan granted by Santander UK Plc to PPHE Living Limited dated 29 January 2020, the ICR for each 12-month period must not be less than 125%. In addition, the borrower must ensure that the outstanding loan does not exceed 65% of the value of the borrower's freehold property at Acton Lane (based on the most recent valuation).

(x) Under the Deutsche Hypothekenbank AG facility for ACO Hotel Holding B.V. and ABK Hotel Holding B.V., the borrower must ensure throughout the entire term of the loan that the outstanding amount of the loan does not exceed 70% of the value of the properties and that the DSCR is not less than 110%. In September 2020, the Group received a letter from the bank confirming that all financial covenant testing will be postponed to 31 December 2022 and the loan amortisation for Q2–Q3 2020 will be postponed to 31 December 2021.

(xi) Under the Deutsche Hypothekenbank AG facility for Park Plaza Nuremberg, the borrower must ensure throughout the entire term of the loan that the outstanding amount of the loan does not exceed 65% of the value of the property and that the DSCR is not less than 180%. In September 2020, the Group received a letter from the bank confirming that all financial covenant testing will be postponed to 31 December 2022 and the loan amortisation for Q2–Q3 2020 will be postponed to 31 December 2021.

(xii) Under the 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. In November 2020, the Group received a letter from the bank confirming waiver of the net leverage ratio for 2020. In December 2021, the Group received a letter from the bank confirming waiver of the net leverage ratio for 2021.

(xiii) 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. In December 2020, the Group received a letter from the bank confirming waiver of the net leverage ratio for 2020. In December 2021, the Group received a letter from the bank confirming waiver of the net leverage ratio for 2021.

(xiv) Under the Erste Bank €5.0 million and €10.2 million facilities, the borrower must ensure throughout the entire term of the loan that the interest coverage ratio (ICR) is at least three times EBITDA and net leverage which is equal to or lower than 7.0 at year end 2022 and equal or lower than 4.5 thereafter. The first covenant test will be based on the annual audited consolidated financial statements for 2022 and is due by the end of June 2023.

(xv) Under the Erste Banka d.d. and Zagrebačka Banka d.d. facility for the purpose of financing the refurbishment of Hotel Brioni Pula in the total amount of €24.0 million, the borrower has to comply with the following consolidated covenants, tested once a year using audited financial statements for the preceding year: DSCR 1, which includes the cash opening balance for the year, is equal to or greater than 3.0 until 2022 and 3.5 from 2023 onwards. DSCR 2, which excluding cash, is equal or greater than 1.2 throughout the life of the loan. Net leverage ratio is equal to or lower than 4.5, the testing of which starts for the 2023 financial year end and onwards. The amount of the loan cannot exceed 70% of the property used as collateral. The withdrawal

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 15 Borrowings continued

of the loan is also subject to a deposit of up to €7.0 million, which has a release mechanism embedded subject to certain defined conditions. The net assets test has to be at least 30%.

(xvi) Under the OTP Banka d.d. facility for the purpose of financing the purchase and subsequent refurbishment of Guest House Hotel Riviera, Pula, in the total amount of €10.0 million the borrower has to comply with the following standalone covenants, tested once a year using audited financial statements for the preceding year: net leverage ratio is equal to or lower than 6.0 at year end 2021 and equal to or lower than 4.5 at year end 2022 and onwards. The net assets test has to be at least 55%. The loan consists of two equal tranches in the amount of €5.0 million each. The loan has a deposit build up mechanism, subject to certain conditions. Arena cannot pay dividend until year end 2021 (and in line with the contractual limitations for entities that used government support during the pandemic) and a dividend basket of HRK 25.0 million until year end 2022. No limitations on profit distribution thereafter.

(xvii) Under the AIK Banka a.d. facility for the purpose of financing the purchase of 88 Rooms Hotel in Belgrade, Serbia, in the total amount of €4.2 million the borrower (Arena 88 Rooms Holding d.o.o.) has to ensure that the value of the purchased asset is not lower by more than 35% when compared to the value of the asset as defined during 2020 by an external reputable valuator.

(xviii) 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.

(xix) 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 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.

As at 31 December 2021, taking into account all the covenant waivers received, the Group is in compliance with all of its banking covenants.

Note 16 Provisions

Provision for concession fee on land

In accordance with the provisions of the Tourist and Other Construction Land Not Appraised During the Transition and Privatisation Process Act from 2010 (TLA), Arena submitted requests to the Republic of Croatia and the relevant municipality for the award of tourist land concessions in relation to land areas in eight campsites and three tourist resorts in Croatia. The TLA failed to produce the desired impact and to resolve the issues of the ownership/use of the tourist land. This in turn caused far-reaching consequences in the form of lack of investments into tourist land, reduced international competitiveness of Croatian tourism due to lack of development and reduced income of the State and local municipalities. The Croatian Government therefore adopted a new legislation to deal with, inter alia, the so-called tourist land and proprietary relationships between the owner of such land and the owner of the facilities built thereon. In May 2020, the new Non-Appraised Construction Land Act (NCLA) replaced the TLA and all initiated requests based on the TLA were suspended. Pursuant to the NCLA, the ownership of the land underneath the facilities in the campsites that were assessed into the share capital of Arena is now also legally recognised as ownership of Arena, while the Republic of Croatia will be the sole owner of the other land in the campsites. In respect to the tourist resorts, the ownership of the land underneath the facilities that have been assessed into the share capital of Arena is now also 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 will be complete. However, the Government has still not adopted the secondary level regulation that would govern the rent payable by the lessees for such lease nor have the procedures required for the implementation of the Act and actual registration of the ownership over the respective part of land in campsites/tourist resorts been completed. This creates uncertainties in relation to the current and future assets and obligations of Arena. While the TLA was still applicable, Arena paid 50% of the concession fees in respect of the eight campsites and accrued the remaining 50% until entering into the envisaged concession agreements. As the new NCLA has not yet set the rules for the rent payable based on the lease agreement, Arena made a conservative assessment of concession fees based on the most up-to-date available information. In 2021 no additional provision was recorded and the concession fee for the year in the amount of £1.7 million was recognised in the financial position under Other payables and accruals. There was no payment of concession fee during 2021.

Note 16 Provisions continued

	2021 £'000	2020 £'000
Balance as at 1 January	**5,399**	4,730
Additions	**–**	476
Exchange rate differences	**(342)**	193
Balance as at 31 December	**5,057**	5,399

Note 17 Financial liability in respect of Income Units sold to private investors

	2021 £'000	2020 £'000
Total liability	**142,573**	143,760
Due from investors for reimbursement of capital expenditure	**(18,022)**	(17,605)
	124,551	126,155

This liability originated from the proceeds received from the sale to private investors of the future 999-year cash flows, derived from certain Income Units in Park Plaza Westminster Bridge London. Furthermore, as the investors are required to fund all capital expenditures ('CAPEX') to be made in connection with these rooms, a receivable is recorded in each period for any excess of depreciation expense over the amounts paid by the investors on account of CAPEX. This receivable is offset from the liability to the investors.

This liability is amortised over the term of the agreement, that being 999 years.

Note 18 Other financial liabilities

	As at 31 December	
	2021 £'000	2020 £'000
Derivative financial instruments	**457**	879
Lease liabilities (see Note 19)	**245,274**	243,650
Share appreciation rights (Note 6c(i))	**4,860**	–
Other	**2,771**	289
	253,362	244,818

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 19 Leases

Group as a lessee

The Group has lease contracts for various items which mainly includes hotels, including land, offices and storage buildings. Leases of land have lease terms between 125 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.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land £'000	Hotel buildings £'000	Offices and storage £'000	Furniture, fixtures and equipment £'000	Total £'000
Cost:					
Balance as at 1 January 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**
Cost:					
Balance as at 1 January 2020	85,541	117,965	8,791	23,873	236,170
Additions during the year	–	12,612	2,565	–	15,177
Disposal	–	–	(366)	–	(366)
Re-measurement of right-of-use assets	–	–	–	–	–
Adjustment for exchange rate differences	1,152	(112)	54	–	1,094
Balance as at 31 December 2020	86,693	130,465	11,044	23,873	252,075
Accumulated depreciation and impairment:					
Balance as at 1 January 2020	4,470	4,948	924	7,838	18,180
Provision for depreciation	462	3,406	1,198	2,398	7,464
Impairment	–	2,781	–	–	2,781
Disposal	–	–	(197)	–	(197)
Adjustment for exchange rate differences	2	49	3	–	54
Balance as at 31 December 2020	4,934	11,184	1,928	10,236	28,282
Net book value as at 31 December 2020	81,759	119,281	9,116	13,637	223,793

The amount of borrowing costs capitalised during the year ended 31 December 2021 was £212 thousand (2020: £206 thousand).

Note 19 Leases continued

Impairment

The Group performed impairment test in December 2021 for all individual right-of-use assets where there was an indication of possible loss. Each asset had been tested on Cash Generating Unit level (CGU-level).

The discount rate applied to cash flow projections was 8.5%. Impairment loss has been recognised for the right-of-use asset where carrying amount exceeded recoverable amount. Based on this analysis it was concluded that there was no impairment. In December 2020 impairment loss in the amount of £2,781 thousand was recorded within Depreciation, amortization and impairment expenses in the income statement.

Set out below are the carrying amounts of lease liabilities (included under Other financial liabilities and Other payables) and the movements during the period:

	2021 £'000	2020 £'000
As at 1 January	**254,044**	231,594
Additions	**–**	14,671
Disposals	**(2,088)**	(174)
Accretion of interest[1]	**7,473**	9,542
Reclassification	**(158)**	–
Payments	**(13,011)**	(6,898)
Re-measurement of lease liability recorded in other expenses	**3,565**	3,369
Re-measurement of lease liability adjusted against right-of-use assets	**4,226**	–
Exchange rate differences recorded in Profit & Loss	**84**	2,073
Adjustments for foreign exchange differences	**(2,517)**	(133)
As at 31 December	**251,618**	254,044
Current	**6,344**	10,394
Non-current	**245,274**	243,650

1 The amount of borrowing costs capitalised during the year ended 31 December 2021 was £212 thousand (2020: £206 thousand).

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 19 Leases continued

Set below is a split of the lease liabilities, cash payments and effect in the income statement between lease agreements for a period longer than 40 years ('long-term leases') and leases for a period of up to 40 years ('short-term leases').

	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**

	Year ended 31 December 2020 £'000 Long-term leases (>40)	Short-term leases (<40)	Total
Lease liabilities	209,926	44,118	254,044
Fixed lease payments	4,742	2,156	6,898
Accretion of interest	8,594	948	9,542
Depreciation	3,731	3,698	7,429

Details regarding certain long-term lease agreements are as below:

(a) On 29 January 2020 the Group through its subsidiary Arena Hospitality Group d.d. ('Arena') entered into a 45-year lease for the development and operation of a contemporary branded hotel in Zagreb, Croatia. The development, which is subject to obtaining the necessary permits, involves the conversion of an iconic building in a prime location in the historic heart of the city. Once opened, this 118-room hotel will include a destination restaurant and bar, wellness and spa facilities, fitness centre, event space and parking.

(b) Grandis Netherlands Holding B.V. ('Grandis') has a land leasehold interest, expiring in 2095, of Holmes Hotel London. The current annual rent amounts to £1,140 thousand (subject to 'open market value' rent review every five years).

Grandis has an option to extend the lease to a total of 125 years, expiring in 2121. The Company also has an option to terminate the lease in 2059.

(c) Riverbank Hotel Holding B.V. has a land leasehold interest, expiring in 2125, for Park Plaza London Riverbank, subject to rent review every five years, based on CPI. A deed of variation of the lease of Park Plaza London Riverbank was entered into on 13 June 2014 under which the rent payable under the lease increased to £1,001 thousand per annum and the tenant was granted a right to renew the lease for an additional 60 years. At completion of the deed, the landlord paid £5.0 million to Riverbank Hotel Holding B.V., which is accounted for as part of the long-term lease liability.

(d) On 18 June 2012, Park Royal Hotel Holding B.V. ('Park Royal') completed the purchase of the freehold property at 628 Western Avenue, Park Royal, London (the 'Site'), which was a development site on one of the main thoroughfares into London, for £6.0 million. Simultaneously, Park Royal completed the sale of the Site at a price of £7.0 million and the leaseback of the Site at an initial rent of £306 thousand per year for 170 years.

(e) On 20 July 2017, Waterloo Hotel Holding B.V. completed the sale of Park Plaza London Waterloo for £161.5 million subject to a leaseback for 199 years. The initial rent of £5.6 million per year will have annual inflation adjustments subject to a cap of 4% and collar of 2%.

The following are the amounts recognised in profit or loss:

Note 19 Leases continued

	As at 31 December 2021 £'000	2020 £'000
Depreciation expense and impairment of right-of-use assets	**6,667**	10,210
Interest expense on lease liabilities	**7,261**	9,336
Expense relating to low-value assets and short-term leases (included in operating expenses)	**129**	220
Expense relating to low-value assets and short-term leases (included in rent expenses)	**944**	370
Variable lease payments (included in rent expenses)	**1,561**	634
Total amount recognised in profit or loss	**16,562**	20,770

The Group had total cash outflows for leases of £15,645 thousand in 2021 (2020: £8,122 thousand).

The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments in 2021 and 2020:

	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**

	As at 31 December 2020 Fixed payments £'000	Variable payments £'000	Total £'000
Fixed rent	5,859	–	5,859
Variable rent with minimum payment	1,039	(1)	1,038
Variable rent only	–	635	635

Note 20 Other payables and accruals

	As at 31 December 2021 £'000	2020 £'000
Current portion of lease liabilities	**6,344**	10,394
Current portion of share appreciation rights (Note 6c(i))	**540**	–
Employees	**1,666**	3,049
VAT and taxes	**11,891**	11,987
Accrued interest	**3,089**	3,009
Corporate income taxes	**56**	541
Accrued expenses	**20,252**	8,768
Advance payments received	**6,021**	7,426
Accrued rent	**2,458**	1,414
Variable income payment to holders of Income Units	**860**	2,226
Related parties*	**–**	2,853
	53,177	51,667

* See Note 30.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 21 Revenues

	Year ended 31 December 2021 £'000	2020 £'000
Rooms	**84,430**	63,628
Campsites and mobile homes	**16,446**	7,815
Food and beverage	**27,814**	21,050
Minor operating (including room cancellation)	**8,277**	5,662
Management fee (see Note 14(c)(i))	**529**	418
Franchise and reservation fee (see Note 14(c)(i))	**458**	819
Marketing fee	**156**	203
Other	**3,267**	2,192
	141,377	101,787

Note 22 Operating expenses

	Year ended 31 December 2021 £'000	2020 £'000
Salaries and related expenses	**68,710**	74,746
Franchise, reservation and commissions expenses (see Note 14(c)(i))	**12,186**	9,255
Food and beverage	**8,675**	4,923
Insurance and property taxes	**10,004**	9,841
Utilities	**7,736**	6,954
Administration costs	**3,607**	4,569
Maintenance	**4,693**	4,293
Laundry, linen and cleaning	**1,941**	1,862
Supplies	**2,186**	1,704
IT expenses	**1,639**	1,374
Communication, travel and transport	**1,141**	1,288
Marketing expenses	**1,523**	1,374
Government grants payroll	**(12,079)**	(24,076)
Government grants fixed costs	**(9,578)**	–
Defined contribution pension premiums	**3,174**	3,121
Other expenses	**8,250**	9,642
	113,808	110,870

Note 23 Financial expenses

	Year ended 31 December 2021 £'000	2020 £'000
Interest and other finance expenses on bank loans	**24,015**	23,408
Interest on lease liabilities	**7,261**	9,336
Foreign exchange differences, net	**–**	2,395
Expense from Park Plaza County Hall London Units	**24**	8
Other	**69**	379
	31,369	35,526

Note 24 Financial income

	Year ended 31 December 2021 £'000	2020 £'000
Income from Park Plaza County Hall London Units	**27**	–
Interest on bank deposits	**163**	132
Gain from marketable securities	**–**	123
Foreign exchange differences, net	**42**	–
Interest and other financial income from jointly controlled entities (see Note 30(b))	**101**	136
	333	391

Note 25 Other income and expenses

a. Other expenses

	Year ended 31 December 2021 £'000	2020 £'000
Capital loss on buy-back of Income Units previously sold to private investors	**543**	–
Government settlement purchase of Guest House Hotel Riviera Pula (see Note 5d)	**–**	1,544
Remeasurement of lease liability[1]	**3,565**	3,369
Revaluation of Income Units Park Plaza County Hall London (see Note 7)	**–**	2,402
Loss on disposal of fixed assets[2]	**436**	1,774
Other non-recurring expenses (including preopening expenses)	**305**	647
Loan early repayment break costs (see Note 15b)	**505**	–
Business combination acquisition costs (see Notes 3a and 3b)	**1,017**	–
Arena – legal settlement[3]	**3,047**	–
	9,418	9,736

1 This amount represents remeasurement of the Waterloo lease liability based on the 2% collar (see Note 19).
2 Mainly relates to the write-off value of fixed assets due to reconstruction of Hotel Brioni Pula (disposal of asset due to reconstruction).
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 are currently in an advanced stage of reaching a settlement for this long-term litigation which will likely result 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.

b. Other income

	Year ended 31 December 2021 £'000	2020 £'000
Insurance settlement[1]	**–**	9,982
Revaluation of share appreciation rights (see Note 6c(i))	**1,750**	–
Revaluation of Income Units Park Plaza County Hall London (see Note 7)	**602**	–
Gain on sale of fixed assets	**1,432**	317
	3,784	10,299

1 Net insurance proceeds received in relation to one of the Group's UK hotels.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 26 Net expenses for financial liability in respect of Income Units sold to private investors

	Year ended 31 December 2021 £'000	2020 £'000
Guaranteed return (see Note 2(k))	–	565
Variable return (see Note 2(k))	2,567	2,646
Reimbursement of depreciation expenses (see Note 2(k))	(618)	(942)
Change in expected cash flow income swaps	–	310
	1,949	2,579

Note 27 Income taxes

a. Tax benefit (expense) included in the income statement

	Year ended 31 December 2021 £'000	2020 £'000
Current taxes	(350)	(458)
Adjustments in respect of current income tax of previous year	61	(626)
Deferred taxes	5,340	1,808
	5,051	724

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 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
Balance as at 1 January 2020	2,851	(10,324)	4,726	(2,747)
Amounts charged to income statement	955	(251)	1,104	1,808
Change in tax rate	47	(757)		(710)
Reclassification	292	(292)		
Adjustments for exchange rate differences	63	(375)	213	(99)
Balance as at 31 December 2020	4,208	(11,999)	6,043	(1,748)

Note 27 Income taxes continued

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 2021 £'000	2020 £'000
Deferred tax assets	10,221	6,724
Deferred tax liabilities	(7,236)	(8,472)
	2,985	(1,748)

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 2021 £'000	2020 £'000
Profit before income taxes	(57,555)	(94,688)
Expected tax at the tax rate of the United Kingdom 19% (2020: 19%)	10,936	17,991
Adjustments in respect of:		
Effects of other tax rates	2,594	2,771
Non-deductible expenses	(8,269)	(7,496)
Utilisation of carried forward losses and temporary differences for which deferred tax assets were not previously recorded	291	338
Temporary differences for which no deferred tax asset was recorded	(211)	(1,762)
Non-taxable income	114	(202)
Unrecognised current year tax losses	(5,299)	(12,351)
Recognition of deferred tax asset	3,634	964
Recognition of investment tax credit (see Note 27(f))	–	1,104
Other differences (including change in tax rate)	1,261	(633)
Income tax benefit (expense) reported in the income statement	5,051	724

d. Tax laws applicable to the Group companies:

(i) The Company is subject to taxation under the laws of Guernsey. The Company is therefore taxed at the standard rate of 0%.

(ii) Foreign subsidiaries are subject to income taxes in their country of domicile in respect of their income, as follows:

1. Taxation in The Netherlands: corporate income tax rate is 25%.
2. Taxation in The United Kingdom: corporate income tax rate for domiciled companies and for non-domiciled companies is 19% (2020: 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%.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 27 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 £200.8 million (2020: £184.9 million). The Group did not establish deferred tax assets in respect of losses amounting to £161.5 million (2020: £166.2 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 2028. 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. In 2020 Arena recognised a deferred tax asset in relation to the investments that took place in 2020 with a total amount of HRK 9.5 million (£1.1 million).

During 2021 Arena continued to invest in its properties however since the total expected tax credit exceeds the expected future tax liability in the periods that the tax credit can be utilised, no additional deferred tax asset was recognised.

Note 28 Earnings per share

The following reflects the income and share data used in the basic earnings per share computations:

	Year ended 31 December 2021 £'000	2020 £'000
Loss attributable to equity holders of the parent	(52,129)	(81,731)
Weighted average number of ordinary shares outstanding	42,539	42,466

Potentially dilutive instruments 177,027 in 2021 are not considered, since their effect is antidilutive (increase of loss per share) (2020: 140,140 were not considered, since their effect is antidilutive).

Note 29 Segments

For management purposes, the Group's activities are divided into Owned Hotel Operations and Management Activities (for further details see Note 14(c)(i)). Owned Hotel Operations are further divided into four reportable segments: the Netherlands, Germany, 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 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, 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 consists of property, plant and equipment, right-of-use assets and intangible assets.
2 This includes the non-current assets of Management and Central Services.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 29 Segments continued

	Year ended 31 December 2020							
	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	14,948	7,750	56,544	18,729	1,056	2,760		101,787
Inter-segment						11,633	(11,633)	–
Total revenue	14,948	7,750	56,544	18,729	1,056	14,393	(11,633)	101,787
Segment EBITDA	(54)	(255)	1,466	362	(295)	(11,312)	–	(10,087)
Depreciation, amortisation and impairment								(46,624)
Financial expenses								(35,526)
Financial income								391
Net expenses for liability in respect of Income Units sold to private investors								(2,579)
Other expenses, net								563
Share in result of joint ventures								(826)
Profit before tax								(94,688)

1. Includes art'otel Budapest in Hungary and 88 Rooms Hotel in Belgrade, Serbia.
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]	207,844	79,053	854,517	216,532	19,937	65,022	1,442,905

1 Non-current assets for this purpose consists 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 30 Related parties

a. Balances with related parties

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Loans to joint ventures (see Note 6a)	**5,222**	5,066
Short-term receivables	**56**	–
Short-term payable	**–**	(88)
Payable to GC Project Management Limited	**(50)**	(903)
Payable to Gear Construction UK Limited	**(1,082)**	(1,862)

Note 30 Related parties continued

b. Transactions with related parties

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Cost of transactions with GC Project Management Limited	**(60)**	(2,784)
Cost of transactions with Gear Construction UK Limited	**(27,735)**	(13,527)
Rent income from sub-lease of office space	**173**	–
Interest income from jointly controlled entities	**101**	95

c. Significant other transactions with related parties

(i) **Construction of the art'otel London Hoxton** – Following the approval by the independent shareholders, on 7 April 2020 the Group entered into a building contract with Gear Construction UK Limited ('Gear') for the design and construction of the art'otel London Hoxton hotel on a 'turn-key' basis (the 'building contract'). Under the building contract Gear assumes the responsibility for the design and construction of the main works for the design and build of art'otel London Hoxton for a lump sum of £160 million (exclusive of VAT) (the 'Contract Sum').

On top of the Contract Sum, the Group is entitled to novate certain existing contracts relating to the project to Gear at cost subject to a cap of £5.1 million (exclusive of VAT). Gear is required to complete the works to be executed under the building contract by 2024.

Gear's obligations and liabilities under the building contract are supported by a corporate guarantee from Red Sea Hotels Limited, an associate of Euro Plaza Holdings B.V. and therefore a related party of the Company, in the amount of 10% of the Contract Sum (the 'corporate guarantee'). The corporate guarantee expires on the later of: (i) the expiry of the 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.

(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.

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	Bonus £'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

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 30 Related parties continued

Summary of the remuneration for Executive and Non-Executive Directors for the year ended 31 December 2020:

	Base salary and fees £'000	Salary sacrifice options £'000	Bonus £'000	Pension contributions £'000	Other benefits £'000	Total[1] £'000
Chairman and Executive Directors	730	9	75[1]	114	16	944
Non-Executive Directors	232	–	–	–	–	232
	962	9	75	114	16	1,176

1 An Executive Director is entitled to a bonus of £75,000 in respect of 2019 financial year which is subject to leaver provisions. This bonus was not paid in 2020.

Directors' interests in employee share incentive plan

As at 31 December 2021, the Executive Directors held share options to purchase 29,308 ordinary shares (2020: 179,308). 25,000 options were fully exercisable with an exercise price of £14.30 (2020: 16,667) and 4,308 options were fully exercisable with a £nil exercise price (2020: 718). No share options were granted to Non-Executive Directors of the Board.

Note 31 Financial instruments risk management objectives and policies

The Group's principal financial instruments, other than derivatives, and marketable securities comprise bank borrowings, cash and cash equivalents and restricted deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Changes in financial liabilities arising from financing activities

	As at 1 January 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.

Note 31 Financial instruments risk management objectives and policies continued

Changes in financial liabilities arising from financing activities

	As at 1 January 2020 £'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 £'00	Other £'000	As at 31 December 2020 £'000
Non-current interest-bearing loans and borrowings	664,345	(7,530)	–	12,353	54,267	(3,718)	1,289	721,006
Non-current lease liability	227,998	(1,461)	3,369	(180)	13,552	(1,700)	2,072	243,650
Financial liability in respect of Income Units sold to private investors	126,704	–	–	–	–	–	(549)	126,155
Derivative financial instruments	674	–	–	42	–	–	164	880
Current interest-bearing loans and borrowings	13,916	–	–	(173)	19,508	3,718	(600)	36,369
Current lease liability[1]	3,596	(107)	–	47	–	6,857	–	10,393
	1,037,233	(9,098)	3,369	12,089	87,327	5,157	2,376	1,138,453

1 Includes accrued interest on deferred lease payments.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees on policies for managing each of these risks which are summarised below. The Group's accounting policies in relation to derivatives are set out in Note 2.

a. Interest rate risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The Group's policy is to manage its interest costs using fixed-rate debt. To manage its interest costs, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Furthermore, the Group uses fixed interest rate debts. For this reason the Group's cash flow is not sensitive to possible changes in market interest rates. Possible changes in interest rates do, however, affect the Group's equity as the fair value of the swap agreements changes with interest rate changes. These swaps are designated to hedge underlying debt obligations.

The fair value of the swaps of the Group as at 31 December 2021 amounts to a liability of £457 thousand (2020: liability of £879 thousand).

The Group uses short-term deposits (weekly and monthly) for cash balances held in banks.

b. Credit risk

The Group trades only with recognised, creditworthy third parties. It has policies in place to ensure that sales are made to customers with an appropriate credit history. The Company's policies ensure that sales to customers are settled through advance payments, in cash or by major credit cards (individual customers). Since the Group trades only with recognised third parties, there is no requirement for collateral for debts with third parties. Furthermore, the Group has no dependency on any of its customers.

The receivable balances are monitored on an ongoing basis. Management monitors the collection of receivables through credit meetings and weekly reports on individual balances of receivables. The maximum credit exposure equals the carrying amount of the trade receivables and other receivables since a loss allowance for expected credit losses is recorded in respect of all trade and other receivables. The result of these actions is that the Group's exposure to bad debts is not significant.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 31 Financial instruments risk management objectives and policies continued

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.

Despite the impact of COVID-19 on trading cash flows, the Group continues to hold a strong liquidity position with an overall consolidated cash balance of £136.8 million as at 31 December 2021 and undrawn cash facilities of £76.8 million (for further details see Note 1).

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2021 and 2020 based on contractual undiscounted payments.

	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**

	As at 31 December 2020					
	Less than 3 months £'000	3 to 12 months £'000	Year 2 £'000	Year 3 to 5 £'000	> 5 years £'000	Total £'000
Interest-bearing loans and borrowings[1]	15,039	44,779	45,318	155,888	638,367	899,391
Financial liability in respect of Income Units sold to private investors[2]	–	1,970	9,198	39,420	126,155	176,743
Derivative financial instruments	110	330	439	–	–	879
Lease liability[3]	3,239	9,786	13,015	39,363	609,724	675,127
Trade payables	6,502	–	–	–	–	6,502
Other liabilities	22,392	18,671	–	–	12,331	53,394
	47,282	75,536	67,970	234,671	1,386,577	1,812,036

1 See Note 15 for further information.
2 Presented according to discounted amount due to the variability of the payments over the balance of the 999-year term.
3 Lease liability includes four leases with upward rent reviews based on future market rates in one lease and changes in the Consumer Prices Index (CPI)/retail price index (RPI) in the other lease and, thus, future payments have been estimated using current market rentals and current United Kingdom-based CPIs/RPIs, respectively, except Park Plaza London Waterloo where the amounts included 50 years of future payments regarding the lease of Park Plaza London Waterloo instead of 199 years as stated in the lease agreement. Also, the amounts do not take into account the collar of 2%. The Group's management believes that the amount included in the above table reflects the relevant cash flow risks to which the Group would be reasonably exposed in the ordinary course of business.

Note 31 Financial instruments risk management objectives and policies continued

d. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group monitors capital using a gearing ratio, which is net bank debt divided by total capital plus net bank debt. The Group's policy is to keep the gearing ratio between 50% and 60%. The Group includes within net bank debt interest-bearing bank loans and borrowings, less cash and cash equivalents and other liquid assets. Capital includes equity less the hedging reserve.

	2021 £'000	2020 £'000
Interest-bearing bank loans and borrowings	**768,124**	757,375
Less – cash and cash equivalents	**(136,802)**	(114,171)
Less – long-term restricted cash	**(8,121)**	(2,261)
Less – short-term restricted cash	**(5,204)**	(4,777)
Less – investments in marketable securities	**(22)**	(27)
Net debt	**617,975**	636,139
Equity	**447,211**	404,953
Hedging reserve	**434**	703
Total capital	**447,645**	405,656
Capital and net debt	**1,065,620**	1,041,795
Gearing ratio	**58.0%**	61.1%

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.

Notes to consolidated financial statements continued

For the year ended 31 December 2021

Note 31 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 (SAR) of the Company to Clal (see Note 6c) 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 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**	**–**

As at 31 December 2020, the Group held the following financial instruments measured at fair value:

Liabilities

	31 December 2020 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Interest rate swaps used for hedging	879	–	879	–

Assets

	31 December 2020 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investments in marketable securities	27	27	–	–
Income Units in Park Plaza County Hall London	15,350	–	15,350	–

Note 31 Financial instruments risk management objectives and policies continued

During 2021 and 2020, 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	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Financial liabilities				
Bank borrowings	**768,124**	757,375	**784,167**	792,521

Note 32 Subsequent events

After the balance sheet date 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. maturing in 2026 (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.

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	52.95
ACO Hotel Holding B.V.	Holding company	Netherlands	52.95
Amsterdam Airport Hotel Holding B.V. (formerly known as Victoria Schiphol Holding B.V.)	Holding company	Netherlands	100
Amsterdam Airport Hotel Operator B.V.	Holding company	Netherlands	100
Arena 88 Rooms Holding d.o.o.	Hotel operation	Serbia	52.95
ARENA FRANZ Ferdinand GmbH	Hotel company	Austria	52.95
Arena Hospitality Group d.d.	Hotel operation	Croatia	52.95
Arena Hospitality Management d.o.o.	Management	Croatia	52.95
art'amsterdam Hotel Operator B.V.	Hotel operation	Netherlands	100
art'otel Berlin City Center West GmbH	Hotel operation	Germany	52.95
art'otel köln betriebsgesellschaft mbH	Hotel operation	Germany	52.95
Art'otel (I.L.) Management Services Limited	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	52.95
Eindhoven Hotel Operator B.V.	Hotel operation	Netherlands	100
Euro Sea Hotels N.V.	Holding company	Netherlands	100
Germany Real Estate B.V.	Holding company	Netherlands	52.95
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	52.95
North Lambeth Holding B.V.	Holding company	Netherlands	100

Name of company	Principal activity	Country of incorporation	Direct and indirect holdings %
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	52.95
Park Plaza County Hall London Ltd	Holding company	United Kingdom	11.50
Park Plaza Germany Holdings GmbH	Holding company	Germany	52.95
Park Plaza Hospitality Services (UK) Limited	Hotel operation	United Kingdom	100
Park Plaza Hotels (Germany) Services GmbH	Hotel operation	Germany	52.95
Park Plaza Hotels (UK) Limited	Holding company	United Kingdom	100
Park Plaza Hotels (UK) Services Limited	Management	United Kingdom	100
Park Plaza Hotels Berlin Wallstrasse GmbH	Hotel operation	Germany	52.95
Park Plaza Hotels Europe (Germany) B.V.	Holding company	Netherlands	100
Park Plaza Hotels Europe B.V.	Management	Netherlands	100
Park Plaza Hotels Europe Holdings B.V.	Holding company	Netherlands	100
Park Plaza Nürnberg GmbH	Hotel operation	Germany	52.95
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	52.95
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	52.95
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 (new company)	Holding company	Netherlands	51
Signature Top Ltd (new company)	Holding company	United Kingdom	51
Società Immobiliare Alessandro De Gasperis S.r.l.	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	52.95
SW Szállodaüzemeltetö Kft	Hotel operation	Hungary	52.95
The Mandarin Hotel B.V.	Holding company	Netherlands	100
TOZI Restaurant Operator Limited	Holding operation	United Kingdom	100
Ulika d.o.o.	Holding company	Croatia	52.95
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
Grand Hotel Brioni, Pula	Istria, Croatia	Repositioning	Opening Q2 2022
art'otel London Battersea Power Station*	London, United Kingdom	New development	Expected to open 2022
art'otel London Hoxton	London, United Kingdom	New development	Expected to open 2024
art'otel in New York City	New York City, United States	New development	Temporarily paused
88 Rooms Hotel	Belgrade, Serbia	Repositioning	In design process
Hotel Zagreb	Zagreb, Croatia	New development	Expected to open 2022
Guest House Hotel Riviera, Pula	Istria, Croatia	Repositioning	In design process
FRANZ ferdinand Mountain Resort	Nassfeld, Austria	Repositioning	In design process
Development site Park Royal London	London, United Kingdom	New development	In design process
Development site Westminster Bridge Road, London	London, United Kingdom	New development	Planning submitted
art'otel Budapest	Budapest, Hungary	Renovation	Expected to complete Q2 2022
Londra & Cargill Hotel, Rome	Rome, Italy	Repositioning	In design process

* Management contract.

Glossary

Adjusted	Excluding the effect of exceptional items and any relevant tax.
Annual General Meeting	The Annual General Meeting of PPHE Hotel Group on 17 May 2022.
Annual Report and Accounts	The Annual Report of PPHE Hotel Group in relation to the year ended 31 December 2021.
Arena Campsites	Are located in eight beachfront sites across the southern coast of Istria, Croatia. They operate under the Arena Hospitality Group umbrella, of which PPHE Hotel Group is a controlling shareholder. www.arenacampsites.com
Arena Hospitality Group	Arena Hospitality Group is also referred to as Arena and is one of the most dynamic hospitality groups in Central and Eastern Europe, currently offering a portfolio of 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).
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.

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.
ARR	Average room rate. Total room revenue divided by number of rooms sold.
Average room rate (ARR)	Total room revenue divided by the number of rooms sold.
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.
Compound Annual Growth Rate – CAGR	Annual growth rate over a period of years, calculated on the basis that each year's growth is compounded, that is, the amount of growth in each year is included in the following year's number, which in turn grows further.
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.
Earnings (loss) per share	Basic earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.
EBIT	Earnings before interest and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EBITDA margin	EBITDA divided by total revenue.
EBITDAR	Revenue less cost of revenues (operating expenses). EBITDAR, together with EBITDA, is used as a key management indicator.
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 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.
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.
RevPAR	Revenue per available room. Total rooms revenue divided by net available rooms or ARR x occupancy %.

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Daniel Kos	(Chief Financial Officer & Executive Director)
Kevin McAuliffe	(Non-Executive Deputy Chairman)
Nigel Keen	(Non-Executive Director & Senior Independent Director)
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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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