Scaling new heights in hospitality

ANNUAL REPORT AND ACCOUNTS 2023

pphe HOTEL GROUP

PARK PLAZA

art'otel

HOLMES HOTEL LONDON

ARENA HOTELS & APARTMENTS

ARENA CAMPSITES

PARTNER BRANDS

RADISSON COLLECTION

RED Radisson

Highlights

Financial KPIs[1,2]

Total revenue
£414.6m
2022: £330.1m
2019: £357.7m

EBITDA
£128.2m
2022: £94.6m
2019: £122.9m

Property value
£2.2bn
2022: £2.0bn
2019: £1.7bn

Adjusted EPRA EPS
118p
2022: 50p
2019: 128p

Normalised profit before tax
£37.5m
2022: £8.3m
2019: £40.7m

EPRA NRV per share
£26.72
2022: £25.17
2019: £25.93

Operating KPIs[1,2]

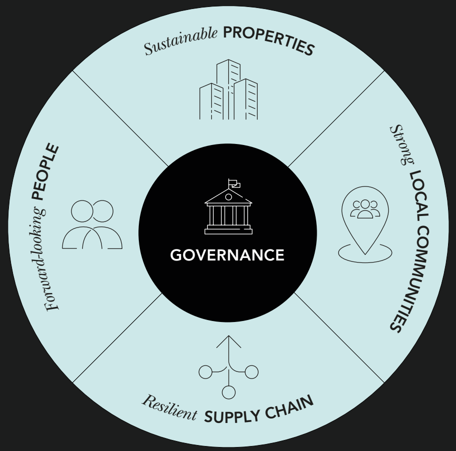
Occupancy
72.4%
2022: 60.0%
2019: 80.6%

Average room rate
£166.8
2022: £160.4
2019: £128.5

RevPAR
£120.7
2022: £96.2
2019: £103.6

1 Details of Alternative Performance Measures (APMs) can be found in the APM glossary on page 207.
2 Highlights presented in this section include the actual performance from 2023 and 2022 as a prior-year comparative, and from 2019 as a pre-pandemic full year comparative.

ESG



- Commitment to set emission reduction targets through the Science-Based Target initiative
- Pursuit of building environmental certifications for our properties
- Assessment of climate change impacts on our business and our properties
- Improvement of our waste management practices
- Support of local communities and charity organisations to increase our social value contribution
- Increase in employee retention, wellbeing and engagement
- Raise ESG awareness among stakeholders

Learn more – See our ESG Strategy on pages 66 to 83

Business highlights

- Record revenue and EBITDA exceeding expectations with full recovery to pre-pandemic levels
- Continued to rebuild occupancies and increasing average room rates, with mix between leisure and corporate and event bookings beginning to normalise
- Reported EPRA NRV increased to £26.72 per share
- Fully opened premium upper upscale lifestyle art'otel London Battersea Power Station and soft launch of art'otel Zagreb
- Our first Radisson RED branded property in Belgrade signed (opened February 2024)
- On track with £300m+ development pipeline with H1 2024 art'otel openings ahead in London Hoxton and Rome
- Received planning consent to develop a 179-room hotel in predominantly subterranean space of Park Plaza Victoria London property to maximise asset potential
- Secured equity with existing partner for acquiring hotel properties, which are to be managed by our European Hospitality Management Platform
- Improved shareholder returns with increased dividend
- Appointed Independent Deputy Chairman to lead Board governance
- Booking momentum continuing into February 2024, which supports the Board's confidence in the outlook

Post balance sheet events

- Promoted Greg Hegarty to Co-CEO, to be responsible for day-to-day managing of the Group and defining and implementing the long-term strategy, further enhancing succession
- Signing of our second Radisson RED branded property (in Berlin, opening Q2 2024)
- Progressive dividend strategy back on track, with final dividend proposed at 20p per share which, including a 16p interim dividend paid, makes the total dividend over 2023 36p per share

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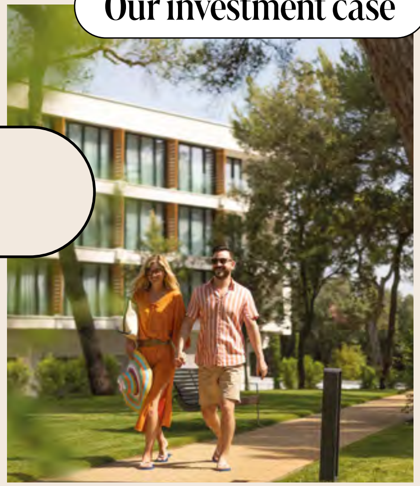
Our investment case



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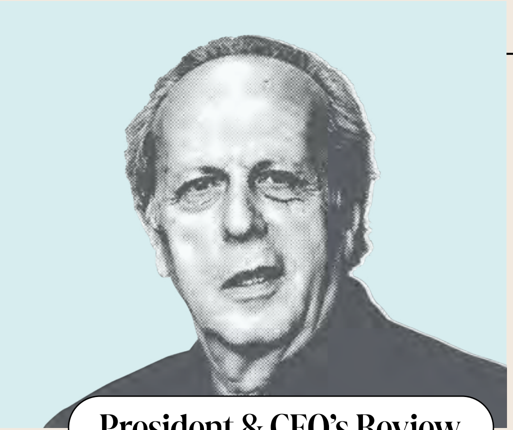
We create memorable guest experiences by owning, developing and operating hotels and resorts in dynamic, vibrant cities and leisure destinations.

At a glance

We are an integrated hospitality real estate Group with a £2.2bn portfolio of primarily freehold and long-leasehold assets in prime locations in Europe.

p6

President & CEO's Review



We are very pleased to have delivered a full recovery across the business in 2023.

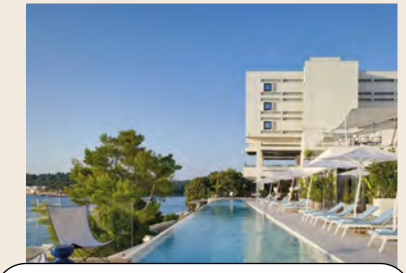
p20

Strategy in action

p30

PPHE Hotel Group is one of the leading hospitality real estate companies in the upscale, upper upscale and lifestyle segments in key European markets.

Stakeholder engagement



We contribute to the economies of our local communities, and we drive up environmental performance.

p62

Strong topline growth

2023 ended on a high, reporting fully recovered record results and strong performance across our main markets.

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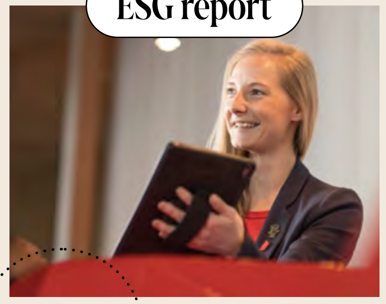
ESG report



p66

Throughout 2023, teams in the business have worked diligently to set and refine defined targets to achieve the strategic objectives of our ESG Strategy.

About us

OUR PURPOSE

Creating valuable memories for our guests

⚠ Tozi Cafe, art'otel London Battersea Power Station

and value for our assets, people and local communities.

Our vision

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

Who we are

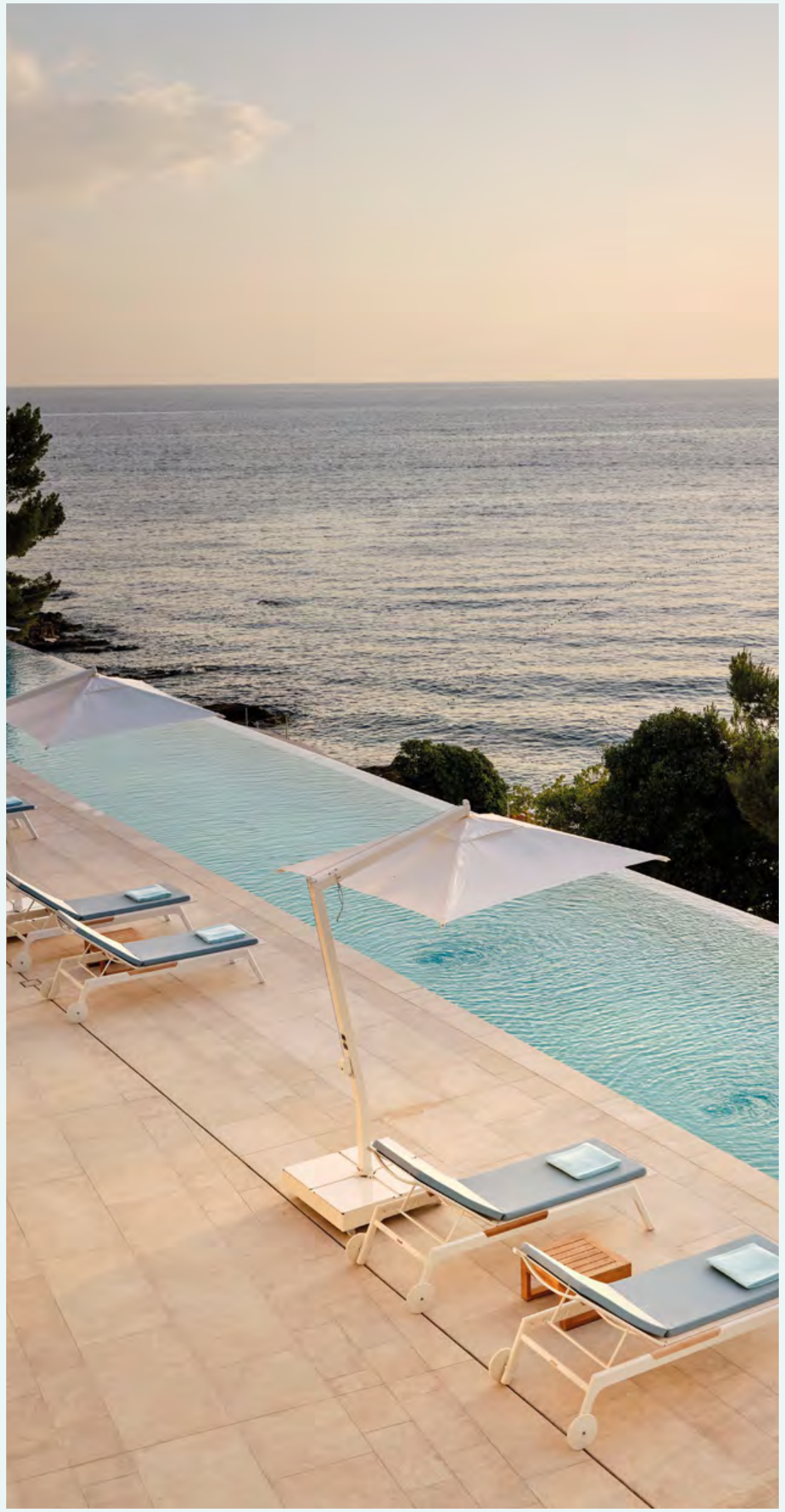
We are an international hospitality group, with a strong prime real estate portfolio consisting of 51 properties in eight countries, that transforms an asset's potential into value and profits.

What we do

We have a clear strategy to drive growth and create long-term value. We recognise, and progressively pursue, the opportunities for our assets to reach their full potential. We delight our guests every day, through engaging service and quality products in inviting places.

How we do it

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

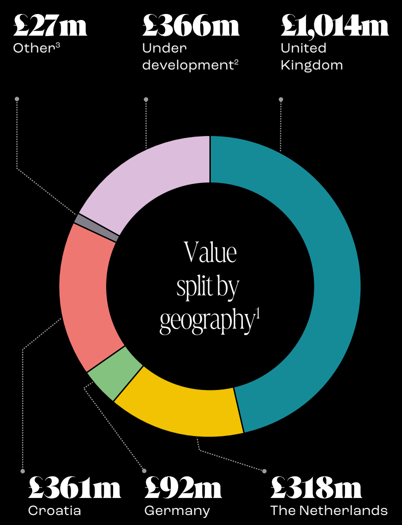


▽ Grand Hotel Brioni Pula, a Radisson Collection Hotel

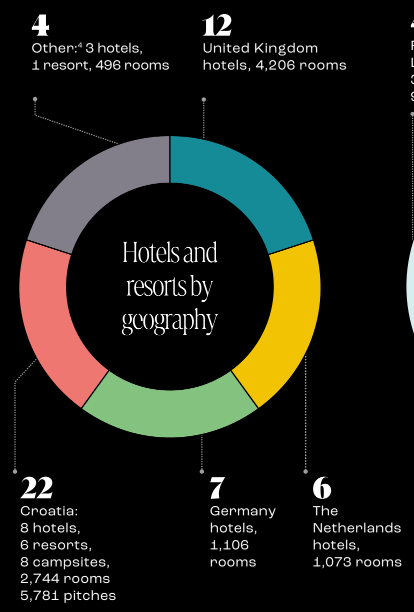
At a glance

Understanding our business

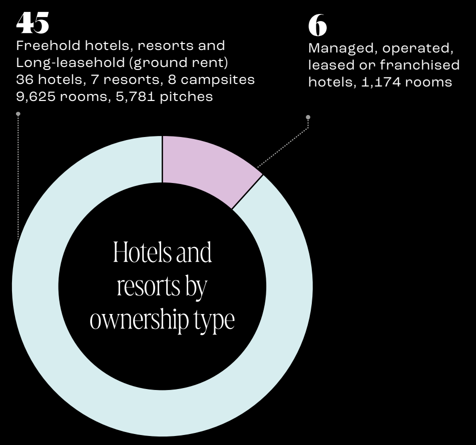
We are an integrated hospitality real estate group with a £2.2bn portfolio of primarily prime freehold and long-leasehold assets in Europe.



(Excludes managed, operated, leased, franchised and unconsolidated hotels)



(Includes franchises)



(Includes franchises)

1 The fair values were determined on the basis of independent external valuations prepared in December 2023.
2 Properties under development include: New York, art'otel London Hoxton, Westminster Bridge Road (London), art'otel Rome Piazza Sallustio and Radisson RED Belgrade.
3 Other includes Arena FRANZ Ferdinand hotel in in Nassfeld, Austria and non-operating headquarters assets.
4 Other includes the art'otel Rome Piazza Sallustio, Arena FRANZ Ferdinand hotel in Nassfeld, Austria, Radisson RED Belgrade and the leased hotel in Budapest, Hungary.

Our culture

Entrepreneurial

Our team members share our purpose of creating valuable memories for our guests and value for our assets. Our purpose and values underpin our overall Company blueprint: to place the guest experience at the heart of everything we do.

People-oriented

We're firm believers that inspiring our team members is the key to inspiring our guests. This is why we focus on making PPHE a fun and inclusive working environment, which is supported by great leadership.

Creators

We refer to our team members as Creators. By valuing our Creators, and by continuously investing in opportunities and our portfolio, we create valuable memories for our guests and value for our assets, people and communities.

Team members – art'otel Amsterdam

Holmes Hotel London

How we create value

Recycle – Capital and value release

Buy – Hospitality real estate exposure

Build – Real estate development exposure

Operate – Operating platform exposure

Our international reach

8 Countries

51 Total properties

9,600 Total rooms

5,800 Campsite pitches

United Kingdom

The UK represents our largest market in terms of revenue generation and property values, which is due to our unrivalled footprint in central London (9 hotels with 3,700+ rooms). Additional properties are located in Cardiff, Leeds and Nottingham. Our pipeline includes three development sites.

art'otel | PARK PLAZA | HOLMES HOTEL

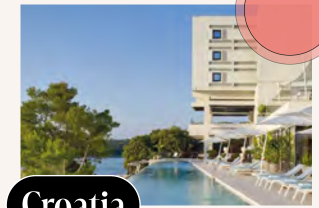
Read more on pages 10, 50 to 52

The Netherlands

Our Company was founded in the Netherlands, where we retain an enviable position with three properties in the heart of Amsterdam and one each in Lijnden, Utrecht and Eindhoven.

art'otel | PARK PLAZA

Read more on pages 10, 54 and 55

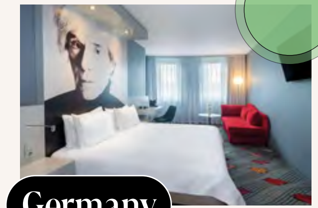


Croatia

Luxury resorts, upper upscale hotels, self-catering apartments, glamping and camping properties – we offer an extensive leisure portfolio along Croatia's pristine and popular coastline. We have recently opened our first property in Croatia's capital, Zagreb, and have further development potential across our portfolio in this market.

RADISSON COLLECTION | art'otel |PARK PLAZA | ARENA HOTELS & APARTMENTS | ARENA CAMPSITES

Read more on pages 10 and 11, 56 and 57

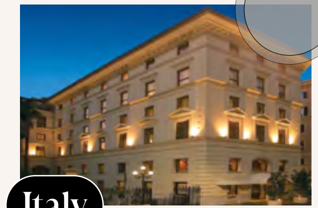


Germany

Stretching from West to East, our properties are located in key corporate travel destinations such as Cologne and Nuremberg, as well as in the leisure orientated cities of Berlin and Trier.

art'otel | PARK PLAZA | RADISSON RED

Read more on pages 10 and 11, 58 and 59

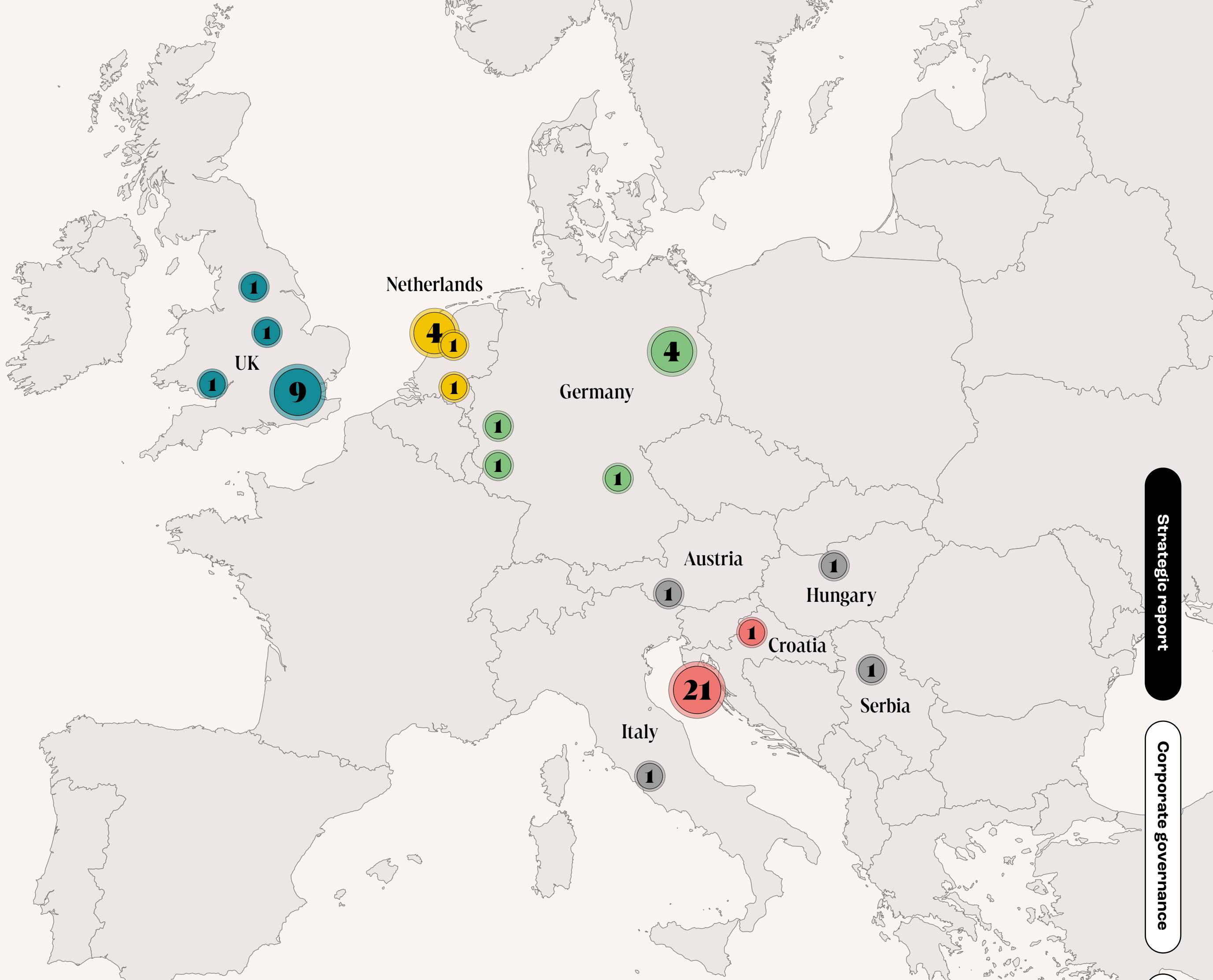


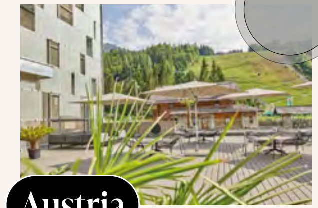
Italy

2024 will mark the year of our first property opening in Italy. Located in the heart of Rome, our premium lifestyle art'otel is expected to open in summer.

art'otel

Read more on pages 10 and 60



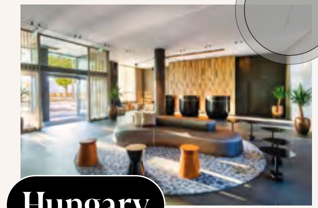


Austria

Our leisure property in Austria perfectly complements our offering in Germany and Croatia; for attracting guests from Germany and for synergies with team members from Croatia.

ARENA HOTELS & APARTMENTS

Read more on pages 11 and 60

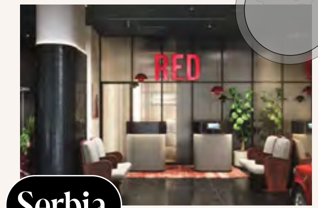


Hungary

Located in a prime location in the heart of Budapest on the Danube, our property provides stunning views of the city and its famous chain bridge.

PARK PLAZA

Read more on pages 10 and 60



Serbia

Marking our entry into Serbia, our first Radisson RED branded property is located minutes away from the old town of Belgrade.

RADISSON RED

Read more on pages 11 and 60

Attractive brands

As independent property owners, our approach is to select the brand for each of our properties which we believe will generate most value. We work with a number of distinct and appealing brands from premium lifestyle to upper upscale and upscale.

PARKPLAZA

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

Feel the authentic **parkplaza.com**

art'otel

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

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

HOLMES
HOTEL LONDON

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

For curious minds **holmeshotel.com**

ARENA HOTELS & APARTMENTS

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

arenahotels.com

ARENA CAMPSITES

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

arenacampsites.com

PARTNER BRANDS

RADISSON COLLECTION　RED Radisson

In 2022, we extended our long-standing partnership with Radisson Hotel Group ('Radisson') and this enabled us to launch the Grand Hotel Brioni Pula, a Radisson Collection Hotel, in May 2022. In 2023, we continued to build on this, and Radisson has now firmly integrated our art'otel brand into their brand architecture. As a result, Radisson is expected to take an active development interest in art'otel in markets where we don't envision investing. This will result in greater choice for art'otel guests to choose from and increased brand awareness. In addition, we announced the signing of our first two Radisson RED branded properties. Radisson RED Belgrade opened in February 2024 and Radisson RED Berlin Kudamm is expected to open in Q2 2024.

radissonhotels.com

Restaurants & bars

A selection of some of our restaurant & bar brands

JOIA

JOIA is a restaurant, bar and rooftop restaurant created by two Michelin starred Portuguese chef Henrique Sa Pessoa located on the 14th, 15th and 16th floors of art'otel London Battersea Power Station. JOIA, means "jewel" in Portuguese, the menu comprises of Petiscos (small tapas) with large to share such as the signature Arroz de Marisco.

joiabattersea.com

ARCA

ARCA, the sister restaurant & bar of JOIA Battersea is located in the heart of Amsterdam. ARCA celebrates Portuguese cuisine with Asian influences both in the food and cocktails.

arcaamsterdam.com

TOZI

TOZI is a Venetian – Italian restaurant and bar concept in London Victoria and Amsterdam. In 2022 TOZI brand evolved into an Italian take on a Grand Cafe and Counter in Battersea Power Station. The Cicchetti concept (sharing plates) is across all outlets, ideal to be enjoyed amongst friends and family.

tozirestaurantsandbars.com

YEZI

YEZI is a brand new concept launched at the end of 2023. This relaxed fine dining restaurant and bar experience in the heart of Zagreb, Croatia is a unique approach to Asian Cuisine.

Inspired by the traditional Asian tea-house style of eating, drinking and socialising, YEZI focuses on the art of dim sum, mixology, tea and European patisserie.

yezirestaurant.com

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Park Plaza Westminster Bridge London

Our investment case

We create memorable guest experiences by owning, developing and operating hotels and resorts in dynamic, vibrant cities and leisure destinations.

Our properties are managed by experienced teams, living our values every day, creating unique experiences. We create stakeholder value at every step of the value chain as our properties provide attractive returns and long-term capital appreciation.

1.

The business model

Integrated developer, owner and operator

- Our '**buy**, **build**, **operate**' business model provides exposure and returns across the entire hospitality real estate value chain
- Strong preference for assets with development and/or repositioning potential
- Diversified real estate portfolio focused on pre-eminent European cities and resort locations

2.

Focus on equity value

Unique approach to capital structure

- Driving equity value growth through development, property repositioning and operational excellence
- Value created by capital recycling through raising funds (both third party equity and debt) at asset level, without diluting PPHE shareholders
- Multiple sources of capital providing a hedge against market fluctuations

3.

Hospitality management platform

All disciplines under one roof

- Scalable platform offering growth through management of owned and third party properties
- Unique and recently extended strategic relationship with Radisson Hotel Group, enabling brand diversification
- Long-term management agreements, providing base fee income with performance-based incentive mechanisms

4.

Our Board and management team

Track record and shareholder alignment

- A multi-disciplined Board and an experienced executive team, with a strong track record
- Entrepreneurial mindset is the cornerstone of the Company's DNA
- Strong shareholder alignment with founder Board members holding 43% of the shares

art'otel London Battersea Power Station

Chairman's Statement

Eli Papouchado
Chairman

"The highlight of 2024 will be the opening of our much anticipated and highly impressive London Hoxton development, following three years of construction."

Introduction

2023 was an important year of financial and strategic progress for the Group. We delivered a full recovery to pre-pandemic levels, driven by continued strong room rates and improving occupancy rates across our portfolio of well-invested hotels, resorts and campsites. We also entered a very exciting phase, as we near completion of our extensive development pipeline. Together, these provide extremely strong foundations for our performance and future growth going into 2024 and beyond.

Throughout the year, we acted where possible to manage the impact of ongoing macro-economic, geo-political and wider cost pressures on our business. The 2023 performance is a testament to this and our team members, who remain at the heart of everything we do. Their dedication to delivering memorable guest experiences is steadfast.

PPHE's unique 'Buy, Build, Operate' business model is also central to our success, positioning the Group strongly across its key markets and segments, and supporting our growth strategy, our strong financial performance and our outlook upgrade at the half-year point of 2023. Furthermore, our long-standing relationship with Radisson Hotel Group, and the recent extension of our partnership, support our multi-brand approach and our future growth and opportunities.

Extensive pipeline nears completion

Many years of hard work on construction and refurbishment projects in our £300+ million development pipeline are coming to fruition. In 2023, we opened two contemporary upper upscale lifestyle hotels – art'otel London Battersea Power Station and art'otel Zagreb, Croatia.

In February 2024, we opened our first Radisson RED in Belgrade, representing our second hotel under our extended partnership with Radisson Hotel Group. A further repositioning and rebranding programme is underway in Berlin, and we plan to launch Radisson RED Berlin Kudamm in Q2 2024.

▽ Park Plaza Westminster Bridge London

The highlight of 2024 will be the opening of our much anticipated and highly impressive art'otel London Hoxton development, following three years of construction. This will increase our presence in the attractive London market, bringing the total number of rooms we operate in the capital to over 3,700. In addition, our new art'otel in Rome, marking our entry in Italy, will open in H1 2024. These recent and upcoming openings in Belgrade, Zagreb, London Hoxton and Rome are targeted to generate at least £25 million of EBITDA for the Group upon stabilisation of trading.

Sustainability in focus

During the year, our sustainability-dedicated teams expanded further, and we worked with retained external specialist consultancies to advise on carbon footprint and reporting to stakeholders, to ramp up our efforts in this important area. This included measures to increase transparency and stakeholder accountability for our Sustainability Strategy, including informing the Science-Based Targets initiative of our work to set robust net zero targets, and be held accountable to them. We are pushing to gather more data in various areas including water consumption, waste and creation of social value by monetary, work-hour and in-kind donations. This will allow us to set baselines, and set targets with the kind of robust metrics that allow stakeholder accountability.

Further details around our new strategy, targets and KPIs are set out on pages 66 to 83 of our Annual Report.

▽ art'otel London Hoxton

The Board

We were delighted to welcome Greg Hegarty to the Board in May. His appointment provides important operational expertise given his tenure with the Group to date. It is also in line with the Board's commitment to refreshing its expertise while developing and preserving internal talent. Further enhancing our succession planning, Greg was promoted to a Co-CEO role in February 2024, being responsible for creating and implementing the Group's operational strategies, including Operations, People & Culture and Commercial, while driving PPHE's corporate vision and growth strategy. In December 2023, the Board appointed Ken Bradley, as a Deputy Chairman, providing an independent view and support on the governance duties of the Board. The Board remains focused on engaging with shareholders and implementing best-practice Corporate Governance to secure the best possible future for the Group.

Enhanced shareholder value

The Board has a long-standing commitment to shareholder value. We completed our £3.7 million share buy-back programme in March 2023, which enhanced capital returns to shareholders. Our strong financial performance and the business momentum during H1 enabled the Board to announce a return to its historic capital return policy of distributing approximately 30% of adjusted EPRA earnings. This resulted in a total dividend for the year of 36 pence per share.

The Board continues to prioritise its progressive dividend policy, and we look forward to continuing to deliver consistent shareholder returns.

A future of great promise

We started 2024 with positive trading momentum and a significant amount of confidence for the future. Leisure and business travel continue to be in demand across our key markets, and while headwinds persist globally, we do not see this demand changing materially going forward.

The Group will continue to focus on pulling the strategic levers it can and build on the successes it achieved over the last year. We look forward to updating all stakeholders further on our progress in the coming months and years.

Eli Papouchado
Chairman

art'otel Zagreb

Governance highlights from the Non-Executive Deputy Chairman

Ken Bradley
Non-Executive Deputy Chairman to the Board of Directors

Corporate Governance highlights 2023

For ease of reference, here is an 'at a glance' summary of Corporate Governance in 2023. The full Corporate Governance section is available for your reference at page 95.

Shareholder engagement

Board and executive management are keen to maximise shareholder engagement activities. A full report is available on page 96. We have conducted investor roadshows, and ensured as much time is available for senior executive leadership to be available to shareholders to discuss their priorities.

Remuneration

We have reviewed our disclosures made in our Remuneration Report in the light of stakeholder feedback. Transparency, and a clear alignment to the values, culture and purpose set by the Board, and an appropriate reward for the creation of shareholder value, are our ongoing priorities in disclosures. Please see the full report on page 131 for more information.

Board composition

- Succession of the outgoing Non-Executive Deputy Chairman following his departure effective from the Annual General Meeting 2023.
- Completion of onboarding of the Non-Executive Director, whose appointment was completed in December 2022.
- Appointment of the Deputy Chief Executive Officer to the Board.[1]

Please see the Nomination Committee Report on page 115

Workforce engagement

As with shareholders, workforce engagement is a key priority for both Board and executive management. A full report is available on page 96.

Our 'Let's Connect' sessions, Team Member Forums and network of ESG Ambassadors are ensuring we are doing as much as possible to engage in dialogue, as reflected in engagement scores in pulse surveys.

Leadership role

The Board has collectively, and in each Director's individual area of expertise, sought to implement stakeholder feedback. We ensure that these are translated into the business's strategy through:

- maintaining an ESG Committee of the Board composed of the Non-Executive Directors to oversee publication of the ESG Strategy and performance against targets
- strategy meetings with executive management scheduled monthly

For more information, please see the Corporate Governance Report on page 95

Board evaluation

We conduct an annual evaluation of the Board's effectiveness. Once every three years, this is conducted externally, most recently by Independent Audit Limited in 2021. We report annually on our evaluation, as well as performance against the recommendations made in the previous year. Please see the Corporate Governance Report on page 95.

Sustainability and ESG

We have a duty to create value for society as a whole.

Following the publication of our ESG Strategy in 2022, we have a full report on progress towards our strategic objectives and the detailed targets we have set to achieve them. The ESG Report is on page 66.

Mandatory TCFD reporting in 2021 and 2022 continues in 2023. We are anticipating CSRD and IFRS S1 and IFRS S2 updates to future reporting on climate change related disclosures. A summary report is published on page 80, and a full report is published on pphe.com.

Ken Bradley
Non-Executive Deputy Chairman to the Board of Directors

1 The Deputy CEO was subsequently appointed as Co-CEO on 8 February 2024.

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President & CEO's Review

⚠ Grand Hotel Brioni Pula, a Radisson Collection Hotel

"Our performance this year has further illustrated the strength and resilience of our unique business model and proposition."

Boris Ivesha
President & Chief Executive Officer

▽ JOIA, art'otel London, Battersea Power Station

Boris Ivesha
President & Chief Executive Officer

A full recovery

We are very pleased to have delivered a full recovery across the business in 2023 with a financial performance significantly ahead of that expected at the outset of the year, achieved despite the macro headwinds experienced across the sector during the year.

This was thanks to a combination of our strong financial and strategic progress, due to the hard work and dedication of our team members across our markets.

2023 in review

The positive momentum in 2022 following the ongoing international easing of previous pandemic-related restrictions on travel, continued into the 2023 financial year and was sustained throughout 2023. Our teams should be proud of the progress made across all of the markets and segments in which we operate. Our outperformance versus expectations enabled us to upgrade our outlook during the year, resulting in FY 2023 revenue of £414.6 million and EBITDA of £128.2 million.

Initially, we saw strong rate growth across the leisure segment in particular. This helped us to part mitigate the well-documented inflationary cost pressures, and was followed by an ongoing narrowing of the occupancy gap versus 2019 levels, as we focused on building this back up to pre-COVID levels. We saw this most notably in the UK and the Netherlands, which were the first of our markets to reopen fully in 2022.

Elsewhere, our assets in Croatia delivered a solid performance, including throughout the peak summer season, following significant investments in recent years to upgrade many of our unique hotels and campsites there. Our new Grand Hotel Brioni Pula traded its first full year and made a good contribution. In Germany, our smallest region, recovery was slower than in our other markets but improved as the year progressed.

Our performance this year has further illustrated the strength and resilience of our unique business model and proposition. Our confidence in our abilities and positioning in the market continues to grow, as we own, operate and manage a wide variety of different brands and assets that cater fully to the needs of our valued guests.

Strong momentum delivered throughout the year

Reported total revenue increased by 25.6% to £414.6 million (2022: £330.1 million) and EBITDA improved 35.5% to £128.2 million (2022: £94.6 million), resulting in an EBITDA margin of 30.9% (2022: 28.7%).

Revenue growth was driven by both strong rates, which increased to £166.8 (2022: £160.4) as well as improving occupancy to 72.4% (2022: 60.0%), which was 89.8% of 2019 levels. This resulted in a 25.5% improvement in RevPAR to £120.7 (2022: 96.2), 116.5% of 2019 levels.

Our property portfolio was predominantly valued by Savills and Zane at £2.2 billion as at 31 December 2023. EPRA NRV per share increased by 6.2% to £26.72 per share (2022: £25.17 per share). The adjusted EPRA earnings per share was 118 pence (2022: 50 pence).

Delivery of our £300+ million development pipeline

We are in a very exciting phase of the Group's development which will see the culmination of many years of work to upgrade and extend our property portfolio as well as our geographic footprint. We are now in the final stages of delivering our £300+ million development pipeline, which has included the construction of new hotels and the upgrade and repositioning of existing properties.

During the year, we successfully opened two new hotels. Our first UK art'otel at London Battersea Power Station officially opened February 2023. This hotel is managed by our hospitality management platform under a long-term management agreement. In October, we opened art'otel Zagreb, our first hotel in the city centre of the Croatian capital. Radisson RED Belgrade, our first Radisson RED hotel, opened in February 2024. Our flagship new property, art'otel London Hoxton, started to take bookings for 2024 during Q4, and is set for a soft opening in April 2024. Meanwhile, the new art'otel in Rome is due to open during H1 2024 following an extensive repositioning project.

Upon stabilisation of trading, the Zagreb, Belgrade, London Hoxton and Rome hotel openings are together targeted to generate at least £25 million EBITDA to the Group's portfolio.

art'otel Zagreb

We continued to enhance our long-standing and well-established relationship with Radisson Hotel Group, which was expanded during 2022 to enable both companies to invest fully in and further grow the reaches of their portfolio of brands which together include brands such as Park Plaza, art'otel, Radisson Collection, Radisson Blu and Radisson RED. Alongside the forthcoming opening of our first Radisson RED properties, our recently launched Grand Hotel Brioni Pula, a Radisson Collection Hotel, traded its first full summer season in 2023, and we were very pleased with its progress, performance and feedback from our guests.

> "Upon stabilisation of trading, the Zagreb, Belgrade, London Hoxton and Rome hotel openings are together targeted to generate at least £25 million EBITDA to the Group's portfolio."

We further cemented our partnership with Radisson at the International Hospitality Investment Forum in May 2023, when Radisson fully incorporated art'otel into their brand architecture, and we look forward to seeing what more this innovative partnership can deliver for PPHE and Radisson and our respective brand portfolios over the coming months and years.

In addition, we continue to progress three longer-term development projects in London and one property repositioning project in Berlin, Germany.

Further details on our development pipeline are set out in the Business Review.

Continuous investment in our teams

Our people continue to be the backbone of our operations. Having rebuilt our teams after the pandemic, our long-term approach is centred on investing in our people from the point of recruitment onwards, and positioning PPHE as a best-in-class employer. This includes talent attraction and retention initiatives and employee engagement and wellbeing programmes.

2023 saw the return of 'business as usual' for the Group, in line with the resumption of normal operations and a strong focus on future growth. We hired hundreds of new recruits through our partnerships with the Department for Work and Pensions, charities, universities and colleges, as well as through our internship and apprenticeship schemes, our 'Recommend a Friend' scheme and our Hospitality Career Centre. For the opening of art'otel London Battersea Power Station alone, we created 200 new jobs, and have hundreds more in the pipeline for the opening of art'otel London Hoxton in 2024.

Our company values

Trust

Respect

Teamwork

Enthusiasm

Commitment

Care

▽ art'otel London Hoxton

This meant the reactivation and in many cases upgrading of our leading people-focused policies and practices, including new and improved benefits and wellbeing packages, learning and development, and the amplification of diversity and inclusion initiatives.

ESG highlights

During 2023, we doubled down on our ESG efforts, to enhance our contributions to the environment and society around us in all our markets. We expanded our internal resources, hiring new talent and specialist consultancies where required, to bring in industry-leading experience and expertise.

We have submitted our notification to the Science-Based Targets Initiative (SBTi). This sets out our intention to set robust targets for achieving net zero by 2040. This also involves setting interim targets. We have mapped our full carbon emissions, including working with specialists to achieve a detailed footprint of Scope 3 emissions, which will be key to achieving ambitious goals.

We want to have net positive impact on society as a whole, so we are looking at how we can ensure best practice as an employer and developer of our workforce, and a contributor to our local communities.

Further detail on our new strategy, targets and KPIs are set out on pages 66 to 83 of our Annual Report and Accounts 2023, and I look forward to regularly updating all our stakeholders on our progress against our goals over the coming months and years.

Commitment to shareholder returns

Given our consistently strong performance during the course of 2023, we continued to look for ways to deliver enhanced value for our shareholders.

We engaged with investors – particularly during the second half of the year – to gauge their views as to the best mechanisms to return value to shareholders. This resulted in a 16 pence per share interim dividend being announced and paid following the Interim Results, which represented a 13 pence per share increase year-on-year.

With the final dividend proposed at 20 pence per share, the total dividend paid is 36 pence per share.

Looking ahead

We have an exciting year ahead in 2024, with highly anticipated new property launches in Belgrade, London and Rome. We launched Radisson RED Belgrade in February and we are launching two art'otels in Hoxton, London, and in Rome. These new openings are targeted to deliver at least £25 million of incremental EBITDA to the Group upon stabilised trading.

We also remain ambitious in our plans for future growth as we continue to identify opportunity and find new, entrepreneurial ways to continue to deliver value for our shareholders.

PPHE has committed up to €50 million in cash and/or assets to a European Hospitality Real Estate Fund founded by the Group. The Fund's cornerstone investor, Clal Insurance ("Clal"), has committed to invest up to €75 million, however, capped at any time at 49% of the contributed equity. Throughout the year, the Group engaged with investment bankers to raise the remaining equity for the European Hospitality Real Estate Fund ("the Fund"), however the significant changes in the interest rate market during this period meant that the Group was not successful in signing up new investors up to the date of these results. If further investors haven't joined the Fund by 13 March 2024 (unless mutually extended), the Fund will carry on as a joint venture with Clal. The Group may top up its own equity contribution (currently at up to €50 million) to €78 million, representing 51%, to give the total joint venture a c.€150 million equity value.

With full equity subscription combined with a targeted 50% bank leverage, the investment potential of the joint venture will then be around €300 million. The Fund has an investment period of 24 months from March 2023, which can be extended by an additional 12 months (subject to consent).

The booking demand experienced in 2023 has continued momentum into 2024, with overall forward booking levels consistent with those at this point in 2023. As previously reported, the mix of corporate and leisure bookings has begun to normalise, with growing demand for meetings and events and an emphasis on rebuilding occupancy.

We anticipate that cost inflation will remain in 2024, but will continue to be manageable. Utility cost hedges are expected to positively impact margins and the Group continues to manage labour-related cost pressures. Hedges are also already in place to mitigate any impact of rising interest rates.

Based on the above, we are confident in the Group's future prospects for what is expected to be milestone year in our history and beyond.

Boris Ivesha
President & Chief Executive Officer

▽ Park Plaza Westminster Bridge London

Our values: Trust · Respect · Teamwork · Enthusiasm · Commitment · Care

Engagement with our stakeholders has enabled us to better understand what is considered material to them and better position our business model and strategy.

Read more about our materiality assessment in the ESG report on page 66

Our purpose

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

Key sources of value

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

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

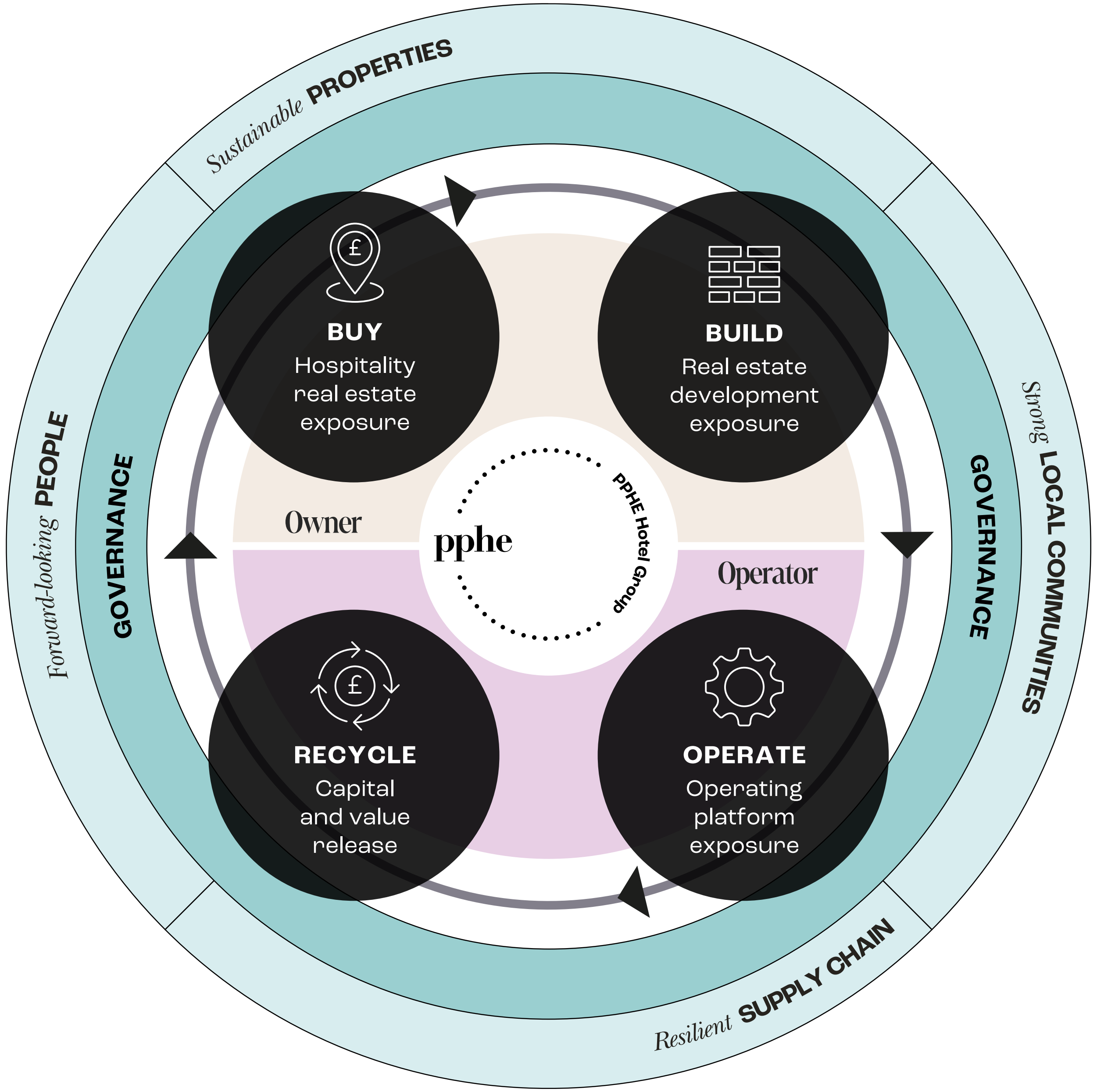
In-house hospitality management platform
Our expert team of hospitality specialists manage our own properties as well as those of third parties.

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

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

Financial strength and non-dilutive capital approach
Our portfolio has grown from a single property into a £2.2 billion portfolio without diluting shareholders since IPO, and we enjoy a strong cash position.

How we create value



The value we create

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

83%
Employee engagement score measured through surveys

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

86.4%
Guest satisfaction rating score

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 operations. This drives both capital appreciation and income from dividend.

36p
Total ordinary dividend for the year, per share

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. As part of the Radisson Rewards Programme members account for a significant part of Park Plaza hotels annual occupancy.

16m
Radisson Rewards™ global loyalty programme has over 16 million members worldwide

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.

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.

Strategy at a glance

Strategic blocks → 2023 performance | 2024 priorities | Related risks and opportunities | KPIs

REAL ESTATE

1. Strategic priority: Core, upper upscale, city centre hotels

2023 performance

Property:
- Soft launch of art'otel Zagreb (office to hotel conversion)
- Progressed development projects in London, Rome and Belgrade
- Secured planning to develop 179-room subterranean hotel in London
- Regular property site visits to lower utility consumption in our hotels
- Environmental assessment of construction sites to achieve highest standard of certification

Operations:
- Continued to rebuild the teams and focused on learning and development and improved productivity
- Drove the commercial recovery of all properties in their respective markets
- Continued to mitigate supply chain disruptions
- Continued to drive efficiencies through technology implementations and efficiency programmes

2024 priorities

Property:
- Complete investment at art'otel Zagreb (meeting rooms and rooftop terrace)
- Complete and launch development pipeline projects in London, Rome and Belgrade
- Complete CAPEX investments at Radisson RED Berlin
- Drive detailed design stage for two development sites in London (Westminster Bridge Road and Park Royal)
- Drive detailed design stage for development of 179-room subterranean hotel in London
- Pursue new growth opportunities

Operations:
- Continue to focus on learning and development and improved productivity
- Drive the commercial performance of all properties in their respective markets and support the maturity of newly launched properties
- Continue to drive operational efficiencies through technology implementations and efficiency programmes
- Further optimise existing, and introduce new, energy saving initiatives
- Optimising our food and beverage offering
- Implement new supplier sourcing policies and increase engagement with suppliers on ESG matters

Related risks and opportunities

Property:
- Development project delivery – page 90
- Funding and liquidity – page 90
- ESG – stakeholder perception – page 93

Operations:
- Talent attraction, engagement and retention – page 93
- Market dynamics – page 89
- Economic climate – page 89
- Operational disruption – page 92
- Technology disruption – page 91
- Cyber threat – page 91
- Data privacy – page 91
- Serious health, safety and security incidents – page 92

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 net zero no later than 2050

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

2. Strategic priority: Leisure and outdoor hospitality

2023 performance

Property:
- Continued to drive maturity of Grand Hotel Brioni Pula, a Radisson Collection Hotel (opened Mid 2022)
- Completed CAPEX investments at Arena Nassfeld hotel and phase two investments at Arena Stoja Campsite

Operations:
- Continued to focus on rebuilding the teams and improving the overall guest experience
- Continued to drive the performance of all properties
- Focused on mitigating supply chain disruptions
- Continued to drive efficiencies through technology implementations

2024 priorities

Property:
- Drive performance of recently invested in leisure properties
- Develop detailed plans for next CAPEX investments in Pula and Medulin
- Pursue new growth opportunities

Operations:
- Continue to focus on improving the overall guest experience
- Continue to drive the performance of all properties
- Continue to drive efficiencies through technology implementations
- Further optimise existing, and introduce new, energy saving initiatives

Related risks and opportunities

Property:
- Development project delivery – page 90
- Funding and liquidity – page 90
- ESG – stakeholder perception – page 93

Operations:
- Talent attraction, engagement and retention – page 93
- Market dynamics – page 89
- Economic climate – page 89
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- Data privacy – page 91
- Serious health, safety and security incidents – page 92

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 net zero no later than 2050

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

3. Strategic priority: Hospitality management platform

2023 performance

Operations:
- Full opening and launch of art'otel London Battersea Power Station, which is managed by the Group's hospitality management platform
- Further leveraged the extended partnership with Radisson Hotel Group, with increased collaboration on our art'otel brand and utilisation of Radisson Collection (in Croatia) and Radisson RED (in Belgrade and Berlin)
- Delivered elevated art'otel brand experience in London and Zagreb
- Preparations for launch of new art'otels in London and Rome
- Continued to drive efficiencies for the managed properties through centralisation and introduction of new technologies
- Continued to implement new ESG Strategy
- Appointed Responsible Business Ambassadors at every property
- Continued to drive recruitment programmes to create jobs and opportunities for local communities
- Completed organisational review leading to operational efficiencies

2024 priorities

Operations:
- Full opening of art'otel Zagreb
- Launch first two Radisson RED properties in Belgrade and Berlin
- Launch of new art'otels in London and Rome
- Continue to develop art'otel brand proposition and brand activation
- Continue to drive efficiencies for the managed properties through centralisation and introduction and adoption of new technologies
- Continue to drive the new ESG Strategy
- Continue to drive learning and development programmes
- Continue to implement changes following the 2023 organisational review

Related risks and opportunities

Operations:
- Market dynamics – page 89
- Economic climate – page 89
- Talent attraction, engagement and retention – page 93
- Operational disruption – page 92
- Technology disruption – page 91
- Cyber threat – page 91
- Data privacy – page 91
- Serious health, safety and security incidents – page 92
- ESG – stakeholder perception – page 93

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 vision

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

Read more on page26

Strategy in action

CORE, UPPER UPSCALE, CITY CENTRE HOTELS

1. Strategic priority

PPHE Hotel Group is one of the leading hospitality real estate companies in the upscale, upper upscale and lifestyle segments in key European markets. We are committed to sustained growth, both by investing in our owned estate and by developing strong relationships with strategically aligned partners.

Development vision

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

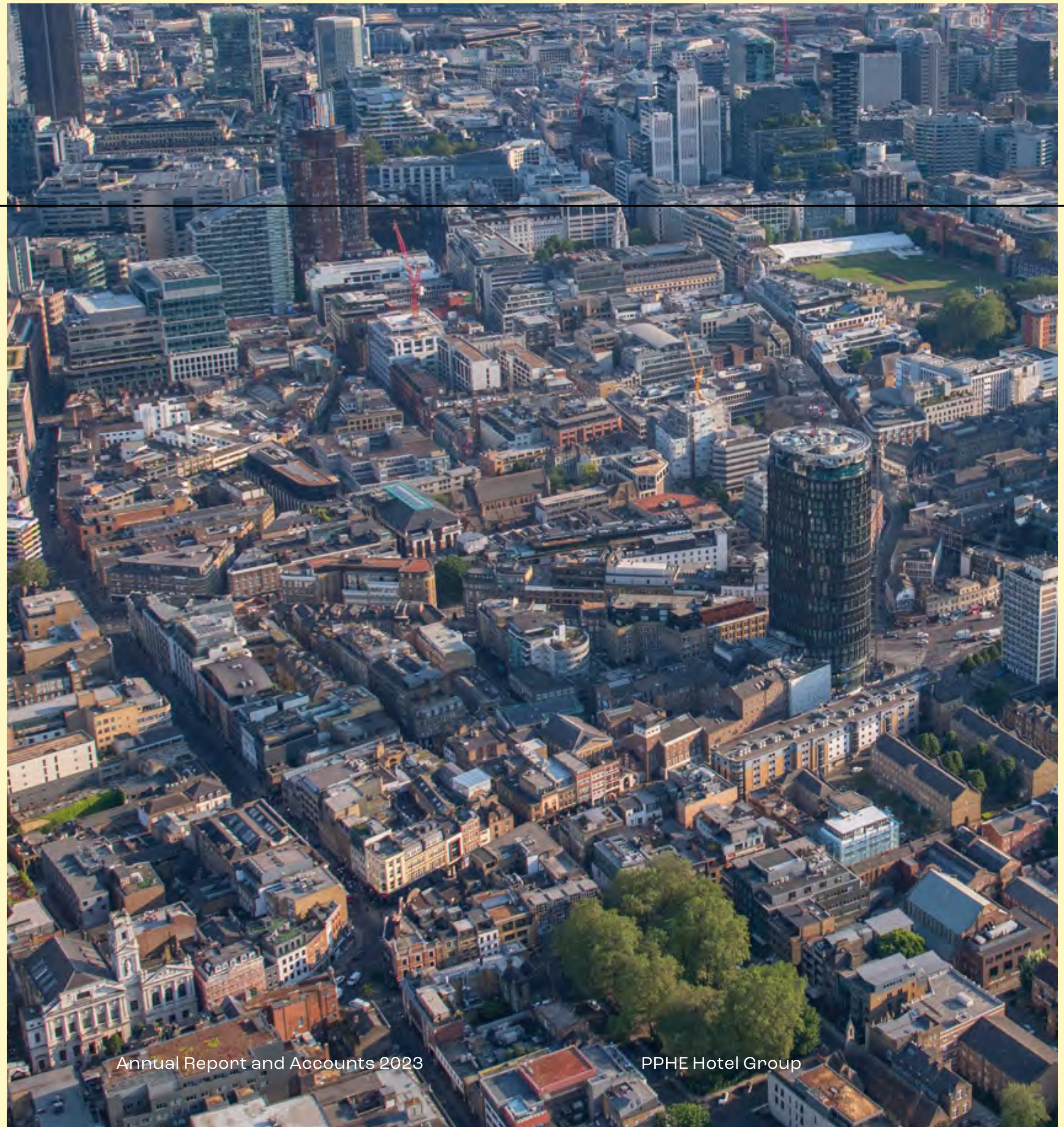
Radisson RED Berlin Kudamm

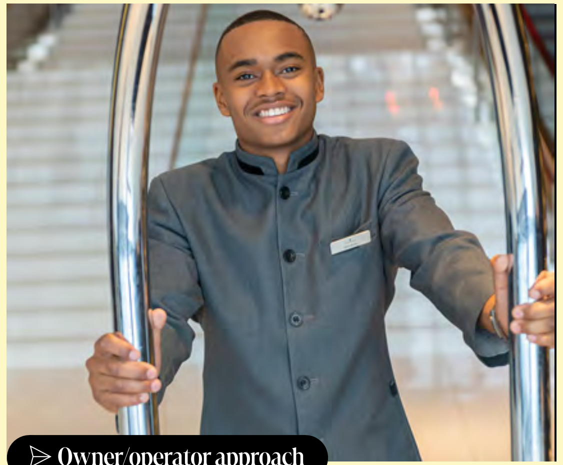
Development opportunities

Looking to the future, we expect to have a bigger and stronger presence in London and key European cities. Through our controlling ownership interest in Arena Hospitality Group ("Arena"), one of Croatia's best-known hospitality groups, we will be exploring growth opportunities in Central and Eastern Europe, both in city centres and select resort destinations.

Expanding in city centre locations

art'otel London Hoxton





Owner/operator approach

Because we own or part own most of our properties, our partners tell us that working with us leads to a deeper understanding of hotel ownership and operation, better performance and better relationships. We operate a flexible partnership approach that complements service excellence, value added operations and bottom-line leadership.

Delivering our pipeline

Read more in the section on the delivery of our pipeline, which is filled with exciting properties, from ground-up developments in London's buzzing Hoxton/Shoreditch to property repositioning programmes in Rome, Belgrade and Berlin.

Putting our guests in the heart of the city

Capital cities and well-connected secondary cities are a core part of our strategy. Since our inception in 1989, we have focused on owning, developing and operating hotels in cities which have a balanced mix of leisure and business travel demand. Today, our city centre portfolio spans from London to Amsterdam, from Berlin to Belgrade and from Budapest to Zagreb, with additional properties in other regional cities.

Read more on pages 8 and 9

1. Strategic priority
CORE, UPPER UPSCALE, CITY CENTRE HOTELS

art'otel London Battersea Power Station

We typically develop landsites or convert offices or hotels in need of an upgrade into upper upscale properties. Our internal teams painstakingly analyse the market dynamics and consumer trends to then create and launch an appealing proposition tailored to the opportunity, realising the property's full potential. We are brand agnostic and will select or create the appropriate commercial brand for each property as well as for the spa, wellness and restaurant and bar concepts.

2023 and 2024 mark another exciting year for us as the projects in our development pipeline are coming to fruition.

We kickstarted 2023 with the full launch of **art'otel London Battersea Power Station**, which was recognised as one of London's hottest openings of the year. This hotel is managed on behalf of the property's owners by our in-house hospitality management platform under a **long-term operating agreement**.

D*Face, art'otel London Hoxton

"Being the Signature Artist for the art'otel London Hoxton is a dream come true. I've painted over 100 murals and had gallery and museum shows around the world, so to have my artwork adorn a landmark building in my home town, particularly in an area of London that was essentially the launching platform of my career over two decades ago – the significance of the opportunity is not lost on me."

D*Face
Artist at art'otel London Hoxton

This opening marked the entry for art'otel in the London market, paving the way for art'otel London Hoxton which is set to open in the first half of 2024. **art'otel London Hoxton** is a jointly owned property, **developed from the ground up**, and this hotel will be managed by us on completion.

In October 2023, we soft-launched art'otel Zagreb, our first hotel in Croatia's capital. This office-to-hotel conversion complements our strong leisure and outdoor portfolio in Croatia, and strengthens our presence in key capital cities across Central and Eastern Europe.

In recent years, we have successfully transformed existing properties, where we have invested over and above our typical CAPEX programmes and subsequently repositioning the properties in a different market segment, aimed at attracting more discerning travellers. Current **repositioning programmes** underway entail two conversions of existing properties to the upscale Radisson RED brand, namely **Radisson RED Belgrade** and **Radisson RED Berlin Kudamm**.

In addition, we are thrilled to enter the final stages of the **repositioning programme** of a former hotel in Rome to **art'otel Rome Piazza Sallustio**.

Looking ahead

With so many of our pipeline projects nearing completion, 2024 will be a very exciting year for our Group! However, our ambitions don't just stop there.

Not only is our dedicated development and acquisitions team on the lookout for further growth opportunities, we have an additional four projects in our medium- to long-term pipeline.

This includes a development opportunity at one of our existing hotels in London Victoria, where we have been granted planning consent to develop a 179-room subterranean hotel, plus a development site with planning for a 465-room hotel in West London. Additional landsites include Westminster Bridge Road in London and Chelsea in New York.

LEISURE AND OUTDOOR HOSPITALITY

2. Strategic priority

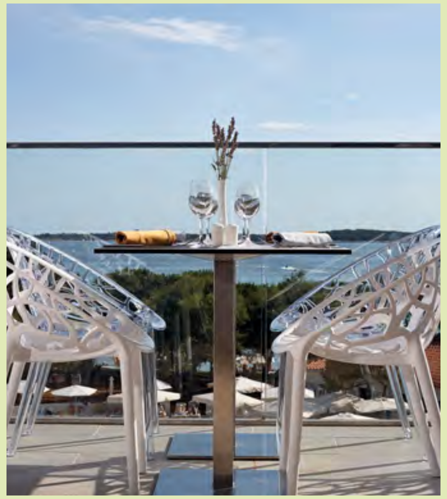
Grand Hotel Brioni Pula, a Radisson Collection Hotel

Memorable — Relaxation

PPHE's strategy includes diversifying its portfolio beyond city centres. And our offering today encompasses premium resorts, upper upscale and upscale hotels, self-catering apartments, camping and glamping, set in spectacular seaside locations in Croatia and in the Austrian Alps.

In these markets, we cater to leisure travellers seeking relaxation and recreation, and we recognise the importance of offering varied vacation experiences. By strengthening our presence in these segments of the market, we aim to meet the demand for unique and memorable vacation destinations, contributing to the Group's growth and resilience.

Read more on pages 56 and 57



Park Plaza Belvedere Medulin

Grand Hotel Brioni Pula, a Radisson Collection Hotel

Since 2008, we have been actively involved in owning, developing and operating leisure properties, starting in Croatia and more recently in Austria. Our portfolio is vast but the market opportunity is even greater. In recent years, we have significantly invested in upgrading an existing diverse portfolio in Croatia, resulting in a vastly improved product, with accompanying services and amenities and superior value creation for stakeholders.

In 2022, we proudly relaunched the jewel in the crown, Grand Hotel Brioni Pula, a Radisson Collection Hotel, following a two-year redevelopment programme. This followed on from earlier investments transforming five existing hotels to Park Plaza properties, one property to a TUI Blue hotel and significant investments in three of our eight campsites.

Investments in 2023 included the second phase of the repositioning programme of Arena Stoja Campsite as well as an investment into the Arena Nassfeld hotel in the Austrian Alps, which now offers guests extensive wellness and leisure facilities including outdoor and indoor swimming pools.

Our growth strategy is focused around further upgrading some of our owned properties, further realising their potential, and to expand our network through ownership and partnerships, leveraging on our well-established hospitality management platform.

Arena One 99 Glamping

Visit arenacampsites.com

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HOSPITALITY MANAGEMENT PLATFORM

3. Strategic priority

Holmes Hotel London

Expert teams

The Group's award-winning in-house hospitality management platform is fully scalable and designed to grow through managing fully or jointly owned real estate, providing best-in-class property management and a flexible contract structure for asset owners.

Our specialist hospitality operating platform today manages 51 properties, across eight countries and different segments of the market, with a gross portfolio value of over £2.2 billion.

Our expert team works with leading brands and is focused on driving the optimum result for each of the properties under management, creating memorable guest experiences, curating highly engaged teams and generating accretive returns for owners.

Read more on page 61

art'otel London Battersea Power Station

Park Plaza London Riverbank

£2.2bn

Hospitality assets under management

51

Properties

Some facts

- £2.2 billion hospitality assets under management, including 51 city centre hotels, leisure resorts, glamping properties and 15+ destination restaurants and bars
- Currently active in eight countries in Europe
- Present in 16 destinations, from prime locations in capital cities such as Amsterdam, Berlin, Belgrade, Budapest, London, Rome and Zagreb, to provincial cities and leisure destinations
- Trusted partner which manages, and has managed, assets on behalf of private investors and financial institutions, some of the world's leading investment banks and pension funds

Scalable platform

Hospitality Management Platform

- Award-winning management company, with strong company culture and highly engaged team members
- Several hundred experienced hospitality specialists located across four service hubs (London, Amsterdam, Berlin and Pula, Croatia)
- All disciplines in-house for driving innovation and continuous improvement for all assets under management
- Centralised divisions for housekeeping, recruitment and customer service, providing a plug-and-play solution for owners
- Proprietary learning and development platform and access to third party training academy

Brands we prefer to work with

- Our owned **art'otel** premium lifestyle brand
- Radisson's Upper Upscale **Park Plaza** brand, for which we have the master franchise rights (in perpetuity) in EMEA
- Property-specific brands such as the premium lifestyle **Holmes Hotel London** or private label **TUI Blue**
- In our Leisure and Outdoor portfolio we use our owned **Arena Campsites** and **Arena Hotels & Apartments** brands, which are positioned in the mid-market and upscale segment of the market
- And, more recently we have started operating hotels as part of the Luxury **Radisson Collection** and the Upscale **Radisson RED** brands

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Key performance indicators

Financial KPIs[1]

Total revenue £m

2023	414.6
2022	330.1
2021	141.4
2020	101.8
2019	357.7

KPI definition

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

EBITDA £m

2023	128.2
2022	94.6
2021	25.1
2020	(10.1)
2019	122.9

KPI definition

Earnings before interest, tax, depreciation and amortisation.

Normalised profit before tax £m

2023	37.5
2022	8.3
2021	(47.5)
2020	(89.8)
2019	40.7

KPI definition

Earnings for the year, adjusted to remove any unusual or one-time influences.

Reported earnings per share pence

2023	53
2022	24
2021	(123)
2020	(192)
2019	80

KPI definition

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

Operating KPIs[1]

Occupancy %

2023	72.4
2022	60.0
2021	30.7
2020	28.0
2019	80.6

KPI definition

Total rooms occupied divided by the available rooms.

EBITDAR £m

2023	130.5
2022	97.0
2021	27.6
2020	(9.1)
2019	124.7

KPI definition

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

Average room rate £

2023	166.8
2022	160.4
2021	117.0
2020	105.1
2019	128.5

KPI definition

Total room revenue divided by the number of rooms sold.

RevPAR £

2023	120.7
2022	96.2
2021	35.9
2020	29.4
2019	103.6

KPI definition

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

Guest rating score %

2023	86.4
2022	84.8
2021	85.5
2020	Data not indicative
2019	83.6

KPI definition

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

Employee engagement %

2023	83.0
2022	81.0*
2021	Trial of new survey format
2020	Data not indicative
2019	84.4*

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 have changed our measurements to be more regular and topical in the form of pulse surveys.

* Up until 2019, the Group measured employee satisfaction through annual surveys. Post-pandemic, it has implemented a new methodology which captures employee engagement. As a result, from 2022 onwards, the performance shown is not comparable with earlier years.

Property KPIs[1]

EPRA NRV per share £

2023	26.72
2022	25.17
2021	22.15
2020	22.08
2019	25.93

KPI definition

Net Re-instatement Value on a fully diluted basis adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model divided by the dilutive number of shares.

Adjusted EPRA EPS pence

2023	118
2022	50
2021	(44)
2020	(123)
2019	128

KPI definition

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

1 Further details on the key financial, operating and property KPIs can be found in the Financial Review on pages 40 to 47.

Strong topline growth with EBITDA margin improvement

Daniel Kos
Chief Financial Officer
& Executive Director

"Fully recovered results provide the group with strong cash flows and NAV growth."

Overview of 2023

2023 ended on a high, reporting fully recovered, record results and strong performance across our main markets. Since 2019, results of the Group have been distorted with the impacts of COVID-19 restrictions around the world, and 2023 marked the first year since with a normal trading pattern. 2023 kicked off with strong RevPAR increases compared to 2019, slightly above inflation reported over the four-year period that passed. Inflation did also affect many of our cost lines, most noticeably in the costs of utilities and labour.

The Group successfully mitigated a number of inflationary and sector-specific issues through the implementation of innovative solutions and forward planning. We have invested in enhancing our energy efficiency, and staffing is also much less of a constraint for the Group due to its proactive approach to investment in people, automation and employer branding.

We reported EBITDA margins that are behind on 2019, however lower utility hedges in the near future are expected to positively impact margin recovery. We keep focusing on managing the continued cost pressures we see on the labour side, due to minimum wage increases in all our territories.

Although 2023 showed sharp interest rate increases, the Group's results were not affected by this as all our loans are near fully hedged on fixed interest rates. These hedges limit the majority of exposure to interest rate risk on average to 2028. Furthermore, there are no significant loans up for refinance before 2026.

The elevated interest rate environment also impacts the discount rates used in property valuations, but despite increased rates, valuations have again shown a small improvement as improved trading and outlooks more than offset yield expansion.

Throughout the year, we spent approximately £126 million on capital expenditure, and the Group is now nearing completion of a heavy development cycle, where a record pipeline of more than £300 million will begin to contribute for the first time. This pipeline is estimated to grow EBITDA by at least £25 million once fully stabilised.

Operational performance

Revenue

Total revenue was up 25.6% at £414.6 million and was 15.9% ahead of 2019 levels. RevPAR was £120.7, up 25.5%, and was 16.5% ahead of 2019 levels. This reflected some further growth in average room rate up 4.0% versus 2022 and 29.8% versus 2019, alongside a consistent recovery in occupancy levels to 72.4%, compared with 60.0% in 2022 and 80.6% in 2019. Overall, RevPAR levels led to a total room revenue of £300.1 million, up 26.2% versus 2022 and up 19.7% of room revenue in 2019. The 2023 trading comparison with 2022 normalised month-on-month throughout the year. Where the first comparative quarter of 2022 was still heavily impacted by COVID-19 (thus showing significant year-on-year growth), the latter part of 2022 actually showed a fully recovered and strong trading comparable.

Financial results

Key financial statistics for the financial year ended 31 December 2023.

	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2019
Total revenue	**£414.6 million**	£330.1 million	£357.7 million
Room revenue	**£300.1 million**	£237.8 million	£250.6 million
EBITDAR	**£130.5 million**	£97.0 million	£124.7 million
EBITDA	**£128.2 million**	£94.6 million	£122.9 million
EBITDA margin	**30.9%**	28.7%	34.4%
Reported PBT	**£28.8 million**	£11.5 million	£38.5 million
Normalised PBT	**£37.5 million**	£8.3 million	£40.7 million
Reported EPS	**53p**	24p	80p
Occupancy	**72.4%**	60.0%	80.6%
Average room rate	**£166.8**	£160.4	£128.5
RevPAR	**£120.7**	£96.2	£103.6
EPRA NRV per share	**£26.72**	£25.17	£25.93
Adjusted EPRA earnings per share	**118p**	50p	128p

Q1 2023 saw a strengthening of demand for leisure, corporate travel and meeting events across all our markets. Our rate-led strategy supported topline growth which helped to mitigate inflationary headwinds, with average room rate up 15.9% versus Q1 2022 and 24.6% ahead of Q1 2019 levels. Occupancy levels continued to improve and track closer to 2019 levels in the UK and the Netherlands, with slower recovery in Germany. Overall, Q1 2023 occupancy was 950 bps behind Q1 2019.

This momentum continued into the second quarter, supported by the Coronation, taking place in London, where total revenue was up 36.9% year-on-year and up 19.8% versus Q2 2019. Average room rate grew by 14.8% versus Q2 2022 and was up 35.6% versus Q2 2019. Occupancy continued to rebuild to 70.8% (58.8% in Q2 2022 and 77.1% in Q2 2019).

In Q3, a quarter heavily impacted by the seasonal trading in Croatia, total revenue was up 8.8% versus Q3 2022 and up 16.5% versus Q3 2019, driven primarily by strong occupancy growth to 77.5% (Q3 2022: 70.8%). Average room rate remained solid, up 0.8% versus Q3 2022, despite the strong comparative performance in Q3 2022 which was boosted by a record summer 2022 trading in Croatia and several significant events in London, including the State Funeral of Her Majesty The Queen.

Normalised profit

£ million	12 months ended 31 December 2023	12 months ended 31 December 2022
Reported profit before tax	**28.8**	11.5
Loss on buy-back of units in Park Plaza Westminster Bridge London from private investors	**3.3**	1.5
Non-cash revaluation of finance lease	**3.9**	3.7
Non-cash changes in fair value of Park Plaza County Hall London Income Units	**(1.6)**	(0.3)
Pre-opening expenses and other non-recurring expenses	**1.4**	1.4
Capital loss on disposal of fixed assets and inventory	**–**	0.1
Non-cash changes in fair value of financial instruments	**1.7**	(9.6)
Normalised profit before tax	**37.5**	8.3

The performance in Q4 continued to be solid, with further occupancy recovery. Compared to Q4 2022 revenue was up 7.2% (up 15% versus Q4 2019). Room rate was marginally down on Q4 2022 and up 25.1% versus Q4 2019. Occupancy increased to 72.8% (Q4 2022: 72.1%).

EBITDA, profit and earnings per share

The Group reported EBITDA of £128.2 million (2022: £94.6 million and 2019: £122.9 million). The EBITDA margin continued to improve year-on-year to 30.9%, compared with 28.7% in 2022 and 34.4% in 2019. Broader cost inflation, particularly for utilities and labour, impacted full pre-COVID margin recovery over the last 12 months. The Board anticipates that cost inflation will remain topical in 2024, particularly with the recently announced minimum wage increases, however forward energy cost hedges will start flowing through at substantially lower levels than those fixed for 2023.

Normalised profit before tax improved to £37.5 million (2022: £8.3 million). Reported profit before tax improved by £17.3 million to £28.8 million (2022: £11.5 million). Reported profit before tax was negatively affected by non-cash revaluations of – amongst others – hedging derivatives and lease liabilities. A table of normalisation adjustments is provided below.

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Reported basic/diluted earnings per share for the period were 53 pence (2022: 24 pence). Depreciation in the year was £45.1 million (2022: £40.0 million). Depreciation is recorded in accordance with IFRS, however, internally we consider the Group's 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 (see page 44) is calculated using the 4% rate instead of the reported non-cash depreciation charge.

Real estate performance

Valuations

The Group is an integrated developer, owner and operator of hotels, resorts and campsites and its business model is real estate driven. We generate returns and drive increased value for all our stakeholders by developing the assets that we own and operating our properties to their full potential. Certain EPRA performance measurements are disclosed to aid investors in analysing the Group's performance and understanding the value of its assets and earnings from a property perspective.

In December 2023, the Group's properties (with the exception of operating leases and managed and franchised properties) were once again independently valued predominantly 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 2023, set out in the table on page 43, amounts to £1,136.4 million (2022: £1,078.7 million), which equates to £26.72 per share (2022: £25.17 per share).

The EPRA NRV was positively impacted by the profit in the year of £22.4 million and positively impacted by marginally increased property valuations of £50.8 million (based on constant currency). This year the valuations were negatively affected by an increase in the discount rates used, mainly as a result of the higher interest rate environment. The value effect of these increased rates, however, were more than offset by the increased underlying results of the hotels used in the valuations, with expectations on improving margin embedded in the profit forecasts.

The table below provides additional information regarding the discount and cap rates used.

Cash flow and EPRA earnings

In 2023, the Group had a positive operational cash flow of £126.1 million, due to its record fully recovered trading. Cash used for debt service increased to £82.2 million (2022: £68.0 million), of which £46.4 million (2022: £41.8 million) is due to interest expenses, £31.7 million (2022: £21.3 million) due to loan amortisations and £4.1 million (2022: £4.9 million) due to lease amortisations.

Investment cash flows reported an outflow of £121.5 million, of which about 86.5% was due to development projects and £15.0 million regarding our usual maintenance CAPEX projects. Most noticeable was the £80.6 million CAPEX related to our development projects in Hoxton London and art'otel Rome Piazza Sallustio. These hotels are due to open in the current financial year, hence construction CAPEX is expected to significantly decrease from the third quarter onwards.

The Group has a healthy balance sheet, no significant refinancing until 2026 and a total cash position of £150.4 million, with access to a further £30 million of undrawn facilities.

The Group reported adjusted EPRA earnings of £50.1 million, up 137% (2022: £21.2 million), and adjusted EPRA earnings per share of 118 pence, up 136% (2022: 50 pence, 2019: 128 pence per share).

Actualised trading versus assumption in 2022 valuations

	Discount rates		Cap rates	
	2023 Valuations	2022 Valuations	**2023 Valuations**	2022 Valuations
United Kingdom	**7.75%–10.50%**	7.75%–10.50%	**5.25%–8.00%**	5.25%–8.00%
The Netherlands	**8.25%–9.75%**	7.75%–9.50%	**5.75%–7.25%**	5.25%–7.00%
Germany	**8.25%–9.25%**	8.00%–9.25%	**5.75%–6.75%**	5.50%–6.75%
Croatia	**8.00%–11.00%**	8.00%–11.00%	**6.00%–9.00%**	6.00%–9.00%

Valuation comparison

2023 versus 2022 valuation – Total portfolio +2.3%	
United Kingdom	+2.0%
The Netherlands	+5.5%
Germany	-6.5%
Croatia	+4.0%

EPRA performance measurement

EPRA summary

	Summary of EPRA Performance indicators			
	Year ended 31 December 2023		Year ended 31 December 2022	
	£ million	**Per Share**	£ million	Per Share
EPRA NRV (Net Re-instatement Value)	**1,136.4**	**£26.72**	1,078.7	£25.17
EPRA NTA (Net Tangible Assets)	**1,106.6**	**£26.02**	1,047.2	£24.44
EPRA NDV (Net Disposal Value)	**1,070.4**	**£25.17**	1,030.9	£24.06
EPRA earnings	**59.0**	**139p**	32.7	77p
Adjusted EPRA earnings	**50.1**	**118p**	21.1	50p

EPRA NRV

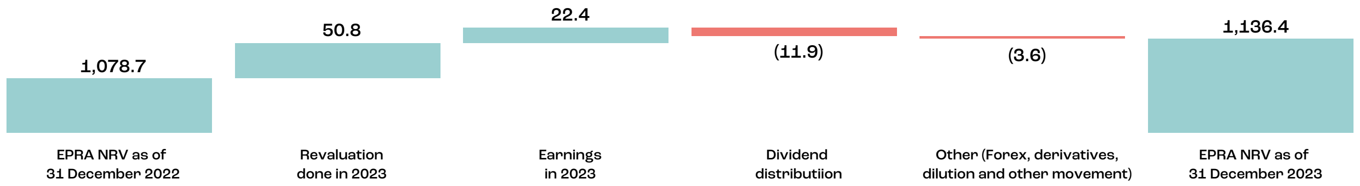
	31 December 2023			31 December 2022		
£ million	**EPRA NRV**	**EPRA NTA[4]**	**EPRA NDV**	EPRA NRV	EPRA NTA[4]	EPRA NDV
NAV per the financial statements	**314.6**	**314.6**	**314.6**	315.1	315.1	315.1
Effect of exercise of options	–	–	–	3.0	3.0	3.0
Diluted NAV, after the exercise of options[1]	**314.6**	**314.6**	**314.6**	318.1	318.1	318.1
Includes:						
Revaluation of owned properties in operation (net of non-controlling interest)[2]	**794.6**	**794.6**	**794.6**	746.9	746.9	746.9
Revaluation of the joint venture interest held in two German properties (net of non-controlling interest)	**6.1**	**6.1**	**6.1**	6.8	6.8	6.8
Fair value of fixed interest rate debt	–	–	**(5.9)**	–	–	(9.2)
Deferred tax on revaluation of properties	–	–	**(39.0)**	–	–	(31.7)
Real estate transfer tax[3]	**19.1**	–	–	18.7	–	–
Excludes:						
Fair value of financial instruments	**14.2**	**14.2**	–	21.1	21.1	–
Deferred tax	**(16.2)**	**(16.2)**	–	(9.3)	(9.3)	–
Intangibles as per the IFRS balance sheet	–	**10.7**	–	–	12.8	–
NAV	**1,136.4**	**1,106.6**	**1,070.4**	**1,078.7**	**1,047.2**	**1,030.9**
Fully diluted number of shares (in thousands)[1]	**42,527**	**42,527**	**42,527**	42,846	42,846	42,846
NAV per share (in £)	**26.72**	**26.02**	**25.17**	**25.17**	**24.44**	**24.06**

1 The fully diluted number of shares excludes treasury shares but includes 163,221 outstanding dilutive options (as at 31 December 2022: 150,223).
2 The fair values of the properties were determined on the basis of independent external valuations prepared in December 2023.
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.

NRV per share

£25.17	**£1.19**	**£0.53**	**£(0.28)**	**£0.11[1]**	**£26.72**

Real estate performance £million



1 Positive movement due to lower diluted number of shares.

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EPRA earnings

	12 months ended 31 December 2023 £ million	12 months ended 31 December 2022 £ million
Earnings attributed to equity holders of the parent company	22.4	10.2
Reported depreciation and amortisation	45.1	40.0
Revaluation of Park Plaza County Hall London Income Units	(1.6)	(0.3)
Changes in fair value of financial instruments	1.7	(9.6)
Non-controlling interests in respect of the above[3]	(8.6)	(7.6)
EPRA earnings	**59.0**	**32.7**
Weighted average number of ordinary shares outstanding	42,541,186	42,522,523
EPRA earnings per Share (in pence)	139	77
Company specific adjustments:[1]		
Capital loss on buy-back of Income Units in Park Plaza Westminster Bridge London	3.3	1.5
Remeasurement of lease liability[4]	3.9	3.7
Disposals and Other non-recurring expenses (including pre-opening expenses)[7]	1.4	1.5
Adjustment of lease payments[5]	(2.3)	(2.2)
One-off tax adjustments[6]	(2.5)	(5.8)
Maintenance CAPEX[2]	(16.6)	(13.2)
Non-controlling interests in respect of Maintenance CAPEX and the adjustments above[3]	3.9	3.0
Company adjusted EPRA earnings[1]	50.1	21.2
Company adjusted EPRA earnings per Share (in pence)	118	50
Reconciliation Company adjusted EPRA earnings to normalised PBT:		
Company adjusted EPRA earnings[1]	50.1	21.2
Reported depreciation and amortisation	(45.1)	(40.0)
Non-controlling interest in respect of reported depreciation[3]	8.6	7.6
Maintenance CAPEX[2]	16.6	13.2
Non-controlling interests in respect of Maintenance CAPEX and the adjustments above[3]	(3.9)	(3.0)
Adjustment of lease payments[5]	2.3	2.2
One-off tax adjustments[6]	2.5	5.8
Profit attributable to non-controlling interests[3]	4.7	4.7
Reported tax	1.7	(3.4)
Normalised profit before tax	**37.5**	**8.3**

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 and March 2023.
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 Mainly relates to deferred tax asset on carry forward losses recorded in 2023.
7 Mainly relates to pre-opening expense and net profit and loss on disposal of property, plant and equipment.

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 (NIY), EPRA 'Topped-up' NIY, EPRA Vacancy Rate and EPRA Cost Ratios.

Capital structure

Call impact minorities and future

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

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

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

Finally, our asset-backed mortgages are mostly entered into with long-standing banking partners, with a five- to ten-year maturity and with a fixed rate or a variable rate with hedging arrangements. Our mortgages have covenants around the value of assets (Loan to Value) and trading (interest or debt service cover ratios). The level of debt raised on trading assets is typically around 50% of the value of these assets and appropriate buffers are kept towards the covenants on the loan. Furthermore, most of our loans are amortised annually around 2.5% of the nominal amount over the term. The current net bank debt leverage (EPRA LTV) percentage is 33.4%

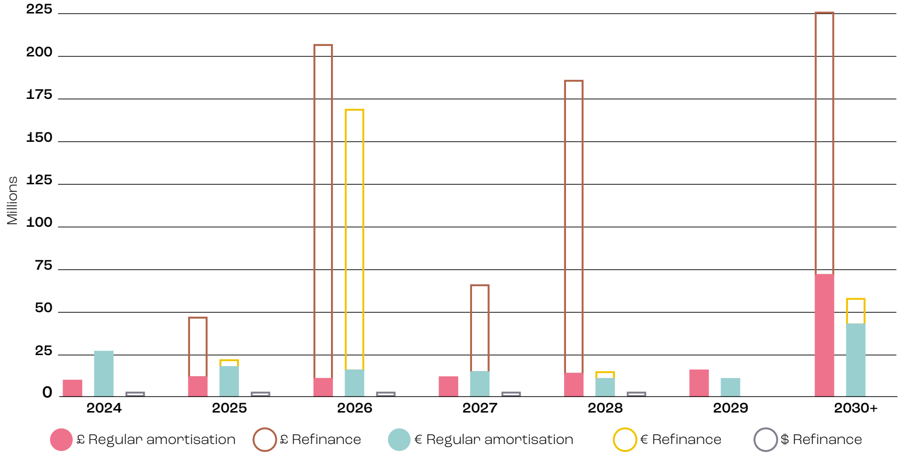
Although our mortgages are exposed to interest rate risks, most of these were entered into years ago, averaging at 3.5% interest (98% fixed) and with an average remaining maturity of 4.0 years. In early 2022, the Group entered into multiple forward starting hedges (starting when loans roll over or refinance in 2024 and 2026) for approximately £380 million, around 1.4%–1.9% swap rate, significantly below current market levels. The loans on trading assets are non-recourse.

European Hospitality Real Estate Fund

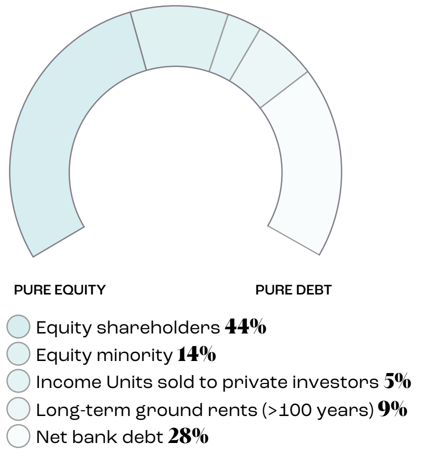
Consistent with PPHE's long-standing approach to building shareholder value through the careful stewardship of its own balance sheet and partnership with third party capital providers, we launched our inaugural European Hospitality Real Estate Fund (the 'Fund') in March 2023 to support the Group's long-term growth ambitions. Hotels acquired by the Fund will be operated by PPHE's hospitality management platform, building further scale in the platform. PPHE has committed up to €50 million in cash and/or assets to the Fund and the Fund's cornerstone investor, Clal Insurance, has committed to invest up to €75 million (however, capped at 49% of the equity contributed at any time). In March 2023, our property in Rome (soon to open as art'otel Rome Piazza Sallustio) was contributed as a seed asset.

Throughout the year the Group engaged with investment bankers to raise the remaining equity for the Fund, however, the significant changes in the interest rate market during this period has meant that the Group was not successful in signing up new investors.

Amortisation profile



Capital structure



Net debt leverage/EPRA LTV reconciliation

	Group as reported under IFRS £'million	Adjustments to arrive at EPRA Group LTV £'million	Group EPRA LTV before NCI adjustment £'million	Proportionate Consolidation (Non-controlling interest) £'million	Combined EPRA LTV £'million
Include:					
Borrowings (short-/long-term)	893.0	–	893.0	(202.4)	690.6
Exclude:					
Cash & cash equivalents and restricted cash	(167.7)	–	(167.7)	36.6	(131.1)
Net Debt (a)	**725.3**	**–**	**725.3**	**(165.8)**	**559.5**
Include:					
PP&E	1,412.8	762.4	2,175.2	(511.8)	1,663.4
Right-of-use assets	229.2	(229.2)	–	–	–
Lease liabilities	(277.4)	277.4	–	–	–
Liability to income units in Westminster Bridge hotels	(114.3)	114.3	–	–	–
Intangible assets	10.7	–	10.7	(0.9)	9.8
Investments in Joint ventures[1]	5.4	11.4	16.8	(7.8)	9.0
Other assets and liabilities, net	(9.9)	(4.0)	(13.9)	8.5	(5.4)
Total Property Value (b)	**1,256.5**	**932.3**	**2,188.8**	**(512.0)**	**1,676.8**
EPRA LTV (a/b)	**57.7%**	**–**	**33.1%**	**–**	**33.4%**
Adjustments to reported EPRA NRV:					
Real estate transfer tax	–	21.9	21.9	(2.8)	19.1
Total Property Value after adjustments (c)	**1,256.5**	**954.2**	**2,210.7**	**(514.8)**	**1,695.9**
Total Equity (c-a)	**531.2**	**954.2**	**1,485.4**	**(349.0)**	**1,136.4**

1 Proportionate consolidation was not applied to the joint venture as it is considered as not material.

If further investors have not joined the Fund by 13 March 2024 (unless mutually extended), the Fund will carry on as a joint venture with Clal. Furthermore, the Group has the option to top up its own equity contribution (currently at up to €50 million) to €78 million to give the total joint venture a c.€150 million equity value. With full equity subscription combined with a targeted 50% bank leverage, the investment potential of the joint venture will then be around €300 million. The Fund has an investment period of 24 months from March 2023, which can be extended by an additional 12 months (subject to consent).

Capital Expenditure/ Development pipeline update

With an expansion CAPEX of £110.6 million, we remained focused on implementing our strategy, progressing our development pipeline, and expanding our footprint into new, highly attractive markets.

The construction phase of our new hotel in Hoxton London (art'otel London Hoxton) is nearing completion and handover of certain areas had commenced in Q1 2024 enabling our operational teams to start preparing the hotel for its expected opening in Q2 2024.

We opened our first art'otel in Croatia in Q3 2023, art'otel Zagreb. This was an office-to-hotel conversion project in Zagreb city centre at a total investment of £18 million

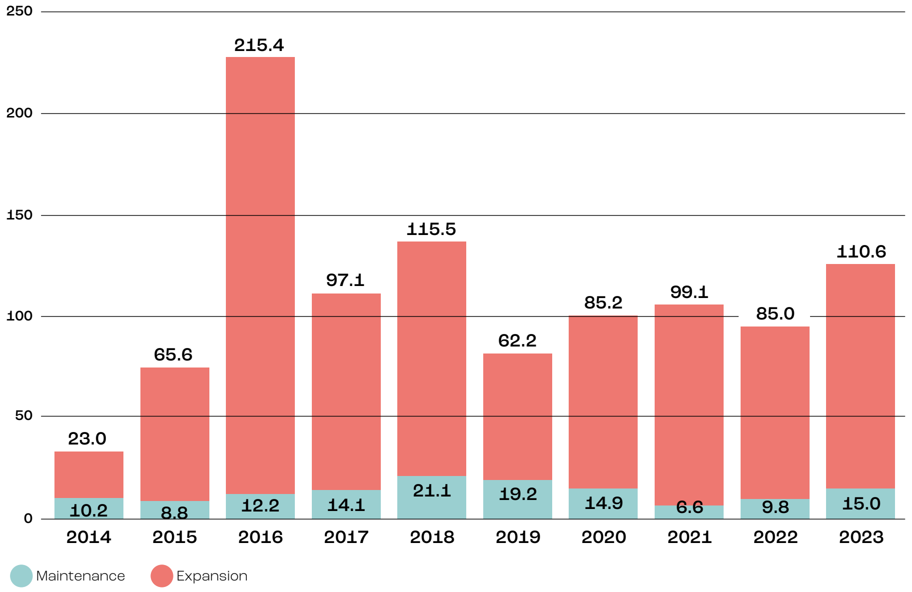
Similarly, the first Radisson RED property to be operated by the Group, and the second to open under the extended Radisson partnership, opened for bookings in Q4 2023, following an extensive repositioning (previously known as Arena 88 Rooms Hotel).

In Rome, the Group had embarked on a full repositioning and construction of the former Londra & Cargill Hotel located in the city centre in July 2022. Works are underway to reposition this hotel into a 99-room premium art'otel, which is expected to open in the first half of 2024.

On the above £300+ million pipeline, the Group has a remaining commitment of approximately £60 million.

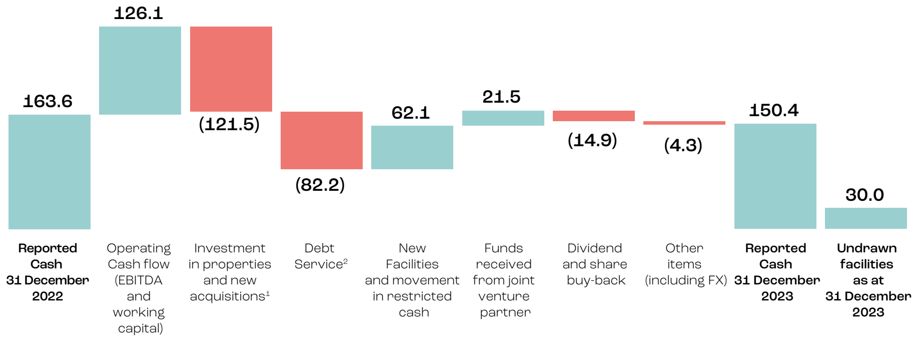
We are constantly working on improving our existing portfolio and looking for interesting opportunities to acquire further assets to broaden the Group's portfolio. The diagram below provides a summary of the investments done in the past ten years.

Investments in property split between expansion/redevelopment and maintenance in £m



Maintenance CAPEX profile has historically been 4% of revenue on average.

Year-on-year cash flow £million



1 £15.0 million reflects regular CAPEX.
2 Including leases and unit holders in Park Plaza Westminster Bridge London.

Dividend

The strength of trading during the first half of 2023 and the Board's confidence in the outlook enabled it to recommend a return to the Company's historical capital returns policy of distributing approximately 30% of adjusted EPRA earnings while continuing to support investment in future growth opportunities. Given the continued share price discount relative to the Company's EPRA NRV per share, the Board consulted with shareholders about the most appropriate and effective mechanism for such distributions to take place, including dividends, share buy-backs, tender offers or a combination of these. During this exercise, a broad range of opinions and preferences were expressed by shareholders. Having listened carefully to all the viewpoints provided, the Group took the decision to pay an interim dividend of 16 pence per share for the period ended 30 June 2023, which represented a year-on-year increase of 13 pence per share (H1 2022: 3 pence per share).

Further to the above, and in line with the Board's confidence in the Group's performance and the strength of its development pipeline being delivered, the Board has proposed a final dividend payment of 20 pence per share. When combined with the interim ordinary dividend, it will bring the total dividend for the year to 36 pence per share.

The Board will continue to regularly review its capital returns policy.

Daniel Kos
Chief Financial Officer & Executive Director

"I am pleased to share our 2023 Business Review, which covers in detail the full-year performances of our assets across all our international markets."

Greg Hegarty
Co-CEO

"As activity grew throughout the year, our teams once again worked extremely hard to deliver a memorable guest experience for all our guests, resulting in high levels of guest satisfaction."

Demand among leisure and corporate visitors alike remained resilient and grew consistently during 2023. This was despite persistent macro-economic challenges and wider concerns about consumer confidence, as people around the world sought to travel and meet in person at levels close to and in many cases exceeding those of 2019 (which was the last full pre-pandemic year).

Our strategic progress was similarly broad-based, with openings across all of our key markets successfully completed to plan. Our newly opened art'otel at London Battersea Power Station was a particular highlight and has traded well in a well-known and highly desirable destination. We were also pleased to open art'otel Zagreb, our first city-centre hotel in Croatia, as well as our first Radisson RED branded property in Belgrade, Serbia.

As our £300+ million development pipeline nears completion, we have continued to find innovative ways to drive further growth and shareholder returns in the years ahead. This includes the equity partnership with Clal, which gives us, when leveraged, access to an investment potential of between €200 and €300 million (based on leverage assumption of 50% and including PPHE's participation) for new property acquisitions, and an asset optimisation including securing planning to convert subterranean space at Park Plaza Victoria London into a 179-room hotel concept.

As activity grew throughout the year, our teams once again worked extremely hard to deliver a memorable guest experience for all our guests, resulting in high levels of guest satisfaction. We continued to prioritise recruitment, learning and development, engagement and retention. Our long-term approach and investment in our people has positioned us strongly in the market and this remains a key focus. Our talented and dedicated teams remain critical to the long-term success of the Group, and I would like to reiterate my gratitude to them.

United Kingdom

Value of UK property portfolio	Total revenue
£1,014m	£234.9m

The Netherlands

Value of the Dutch property portfolio	Total revenue
£318m	£63.3m

Germany

Value of German property portfolio	Total revenue
£92m	£22.8m

Croatia

Value of Croatian property portfolio	Total revenue
£361m	£78.1m

Investment in new technologies and systems remained a key priority as we sought new ways to innovate and enhance our service offering, and create efficiencies in our processes. This included the continued use of automation and robotics across several business functions, alongside the implementation of two highly regarded revenue management systems to optimise pricing and forecasting. We also further upgraded our Digital Services suite of products, including online check-in and digital keys, to create a more seamless guest journey.

"I look forward to keeping shareholders updated on our performance and strategic progress over the coming months."

While leveraging the additional Radisson brands in line with our expanded partnership, each with their distinct personas and market positioning (Radisson RED and Radisson Collection), we continued to expand and evolve our offering, within both our restaurant and bar concepts. During the year, we opened a number of new destination restaurants and bars, including Portuguese-inspired JOIA on the 15th floor at art'otel London Battersea Power Station, following our successful collaboration with Executive Chef Henrique Sá Pessoa at art'otel Amsterdam. TOZI Grand Café also opened on the ground floor, inspired by the elegance of Europe's famous grand cafés and celebrating authentic Italian dishes, and TOZI Counter – a casual outlet specialising in fresh Italian sandwiches, pastries and specialty coffees – is located adjacent to TOZI Grand Café. Furthermore, in November 2023 we opened our first YEZI restaurant, at our new art'otel in Zagreb, which provides a relaxed fine-dining experience inspired by the traditional Asian tea house.

I look forward to keeping shareholders updated on our performance and strategic progress over the coming months. In the meantime, please read on for our 2023 Business Review.

Greg Hegarty
Co-CEO

United Kingdom

Property portfolio

The Group's well-invested property portfolio consists of approximately 3,350 rooms in operation in the upper upscale segment of the London hotel market. In addition, the Group will be soft opening the 357-room art'otel London Hoxton in April 2024 and it has a further three development sites in London, which could add up to over 800 rooms.

Four of the Group's London hotels are in the popular South Bank area of London, with further properties in Victoria, Marylebone, Battersea and Park Royal. There are also three properties located in the UK regional cities of Nottingham, Leeds and Cardiff[2].

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

Total value of the UK property portfolio[1]

£1,014m

(2022: £991m)

Financial performance

	Reported in Pound Sterling (£)				
UK	**Year ended 31 Dec 2023**	Year ended 31 Dec 2022	% change	Year ended 31 Dec 2019	% change
Total revenue	**£234.9m**	£190.1m	23.6%	£207.4m	13.3%
EBITDAR	**£76.6m**	£56.8m	35.0%	£71.0m	7.9%
EBITDA	**£76.3m**	£56.2m	35.7%	£70.7m	7.9%
Occupancy	**83.6%**	67.8%	1,590 bps	87.7%	(405) bps
Average room rate	**£190.8**	£192.3	(0.8)%	£152.4	25.2%
RevPAR	**£159.6**	£130.3	22.5%	£133.7	19.4%
Room revenue	**£183.8m**	£149.9m	22.6%	£152.7m	20.4%
EBITDA margin	**32.5%**	29.6%	290 bps	34.1%	(160) bps

1 Independent valuation by Savills in December 2023 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.

art'otel London Hoxton

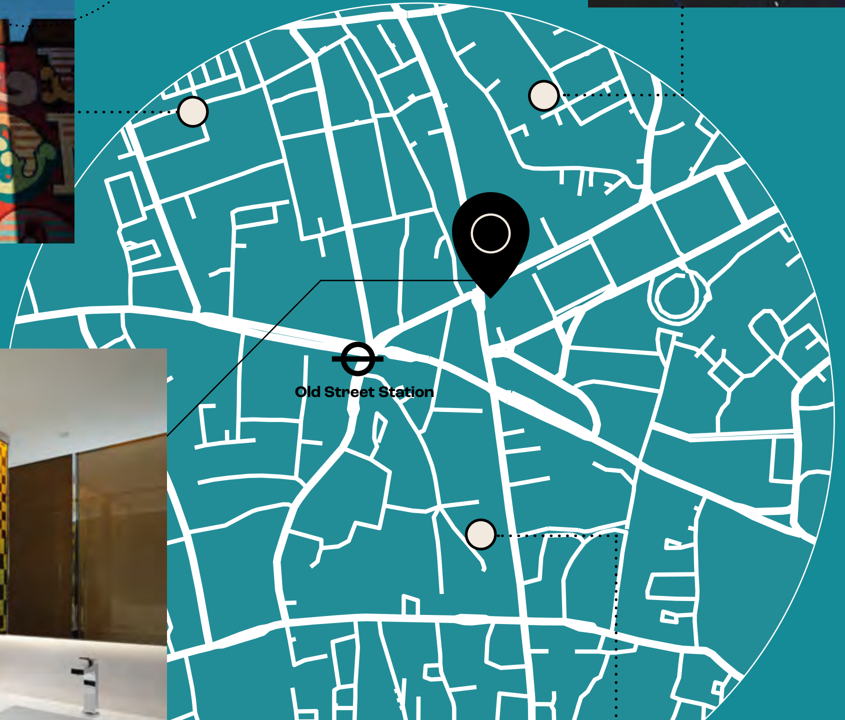
357
Rooms

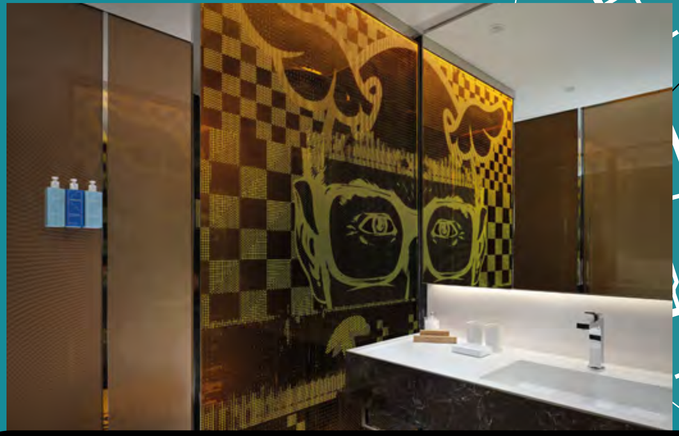
Music venues

The area is abound with live music venues, hip bars, and electric restaurants.

Street art

Hoxton and Shoreditch: London's creative home to street art and cutting-edge galleries.





art'otel London Hoxton

In April 2024, vibrant Hoxton will welcome its newest resident: art'otel London Hoxton. The hotel is perfectly placed to fully immerse guests in East London's thriving art scene and the City of London is just a short 10-minute walk or mini Tube ride away. The stylish and playful hotel features original works from Signature Artist D*Face, whose works fill our walls and halls, as well as two original Banksy's. The full offering includes several destinations restaurants and bars, some with 360-degree views of London's skyline, an art gallery, auditorium, rooftop gym, indoor pool, spa and ample relaxation and event spaces. It's no wonder this art'otel has already been touted the hottest new design hotel in London.

Spitalfields market

One of London's oldest markets, Spitalfields Market showcases hand-crafted and hard-to-find pieces that make every trip special and memorable.

60
Suites

United Kingdom continued

Portfolio performance

The United Kingdom remains the Group's largest region in terms of revenue generated and property value. Throughout the year, the portfolio performed strongly across the Group's main segments of leisure, corporate and meetings. This was predominantly achieved through a further growth in room rate alongside a significant recovery in occupancy. Booking activity was supported by a number of events in London, including the Coronation of King Charles III in May, and a return to business travel.

Total reported revenue was up 23.6% to £234.9 million (2022: £190.1 million). Reported RevPAR was £159.6 (2022: £130.3), driven by a stable average room rate of £190.8, down 0.8% (2022: £192.3), and a further improvement in occupancy to 83.6% (2022: 67.8%).

EBITDA was £76.3 million (2022: £56.2 million).

Development pipeline

The Group's flagship project, art'otel London Hoxton, is now in the final stages of development ahead of soft opening in April 2024. Located in the vibrant Shoreditch area in East London, this premium lifestyle hotel will comprise 357 rooms and suites, five floors of 5,900m² office space, wellness facilities, a gym and swimming pool, and an art gallery space. The hotel's Signature Artist is London-born British street artist D*Face, who is recognised globally as one of his generation's most prolific contemporary urban artists, blending art, design and graffiti. The General Manager has been appointed along with a support function to prepare the hotel for launch.

art'otel London Hoxton

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

The Group also has three longer-term development projects in London. The first is a site adjacent to Park Plaza London Park Royal (in West London), the second site is at 79–87 Westminster Bridge Road, close to the Group's Park Plaza London Waterloo and Westminster Bridge properties, and the third development project is the potential to create a 179-bedroom subterranean hotel at the Group's Park Plaza London Victoria property. The Park Royal and Park Plaza London Victoria sites both have planning consent.

Hospitality management platform projects

In February 2023, the Group fully opened – to critical acclaim – the UK's first art'otel, located within the Battersea Power Station development. The property features 164 bedrooms, a Venetian inspired Italian TOZI restaurant and bar, a skyline destination restaurant, JOIA, and a spectacular rooftop swimming pool. The hotel also offers a gym, spa, event facilities, and an art gallery with regular art programmes throughout the hotel. Jaime Hayon is the hotel's interior designer and Signature Artist, and two Michelin starred Portuguese chef Henrique Sá Pessoa is the JOIA restaurant Concept Chef. This hotel is managed by the Group under a long-term operating agreement and as a result, its financial performance is not included in the performance reported in this segment. Management fees are accounted for in the Management and Central Services segment.

The United Kingdom hotel market*

RevPAR was up 14.5% at £92.4, driven by a 8.7% increase in average room rate to £119.5 and a 5.3% increase in occupancy to 77.3%.

In London, RevPAR increased by 17.1% to £156.2 compared with 2022, reflecting a 8.8% increase in occupancy to 79.8%, and a 7.6% increase in average room rate to £195.7.

* Source STR European Hotel Review, December 2023.

art'otel London Battersea Power Station

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The Netherlands

Total value of the Dutch property portfolio[1]

£318m

(2022: £307m)

Property portfolio

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

Portfolio performance

As in the United Kingdom, the Group's Dutch properties performed strongly throughout the year, driven by a combination of rate growth and occupancy recovery.

Total revenue (in local currency) was up 49.6% at €72.8 million (2022: €48.7 million). RevPAR increased to €141.4 (2022: €95.5), reflecting the 3.0% uplift in average room rate to €171.6 (2022: €166.6), and the significant improvement in occupancy to 82.4% (2022: 57.3%). EBITDA improved by €9.4 million to €22.5 million (2022: €13.1 million).

The Dutch hotel market*

RevPAR increased by 25.4% to €108.3 compared with 2022. Occupancy increased by 13.4% to 71.3%, and the average room rate was €151.9, 10.6% higher than in 2022.

In Amsterdam, our main market in the Netherlands, RevPAR increased by 29.3% to €134.2. Occupancy levels increased by 16.6% to 74.8%, and the average daily room rate increased by 10.9% to €179.4.

* Source STR European Hotel Review, December 2023.

Financial performance

The Netherlands	Reported in Pound Sterling[2] (£) Year ended 31 Dec 2023	Year ended 31 Dec 2022	% change	Year ended 31 Dec 2019	% change	Reported in local currency Euro (€) Year ended 31 Dec 2023	Year ended 31 Dec 2022	% change	Year ended 31 Dec 2019	% change
Total revenue	**£63.3m**	£41.6m	52.3%	£53.8m	17.7%	**€72.8m**	€48.7m	49.6%	€61.4m	18.6%
EBITDAR	**£19.6m**	£11.2m	75.2%	£15.0m	30.5%	**€22.6m**	€13.1m	72.1%	€17.2m	31.5%
EBITDA	**£19.6m**	£11.2m	75.4%	£15.0m	30.5%	**€22.5m**	€13.1m	72.3%	€17.1m	31.5%
Occupancy	**82.4%**	57.3%	2,510 bps	86.2%	(385) bps	**82.4%**	57.3%	2,510 bps	86.2%	(385) bps
Average room rate	**£149.1**	£142.2	4.9%	£124.8	19.5%	**€171.6**	€166.6	3.0%	€142.6	20.3%
RevPAR	**£122.8**	£81.5	50.7%	£107.6	14.1%	**€141.4**	€95.5	48.0%	€122.9	15.0%
Room revenue	**£48.1m**	£31.9m	50.7%	£40.3m	19.5%	**€55.4**	€37.4m	48.0%	€46.0m	20.4%
EBITDA margin	**30.9%**	26.9%	410 bps	27.9%	305 bps	**30.9%**	26.9%	410 bps	27.9%	305 bps

1 Independent valuation by Savills in December 2023.
2 Average exchange rate from Euro to Pound Sterling for the period ended 31 December 2023 was 1.151 and for the period ended 31 December 2022 was 1.172 representing a 1.8% decrease.

◁ Park Plaza Victoria Amsterdam

"The Group's Dutch properties performed strongly throughout the year, driven by a combination of rate growth and occupancy recovery."

art'otel Amsterdam, Arca restaurant

ARCA provides a casual Portuguese sharing-plates experience, infused with modern flavours and Asian inspirations.

Listed in the Michelin Guide 2022

arcaamsterdam.com

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Croatia

Total value of the Croatian property portfolio[1]

£361m

(2022: £334m)

Property portfolio

The Group's subsidiary, Arena Hospitality Group d.d. ('Arena'), owns and operates a Croatian portfolio compromising more than 8,500 rooms and accommodation units across eight hotels, six resorts and eight campsites. With the exception of art'otel Zagreb, all these properties are located in Istria, Croatia's most prominent tourist region. Four of these properties are Park Plaza branded, one property is art'otel branded, and Grand Hotel Brioni is a Radisson Collection hotel. The remainder of our portfolio operates as part of the Arena Hotels & Apartments and Arena Campsites brands. The Group opened its first art'otel in Zagreb in Q4 2023.

Portfolio performance

The Group's Croatian operations are predominately seasonal, with most of the properties closed during the first and last quarter of the year. From around Easter time, business activity intensifies while hotels, resorts and campsites are fully open and trading for the peak summer season in June, July and August. Most properties are then closed in late September/mid-October for winter.

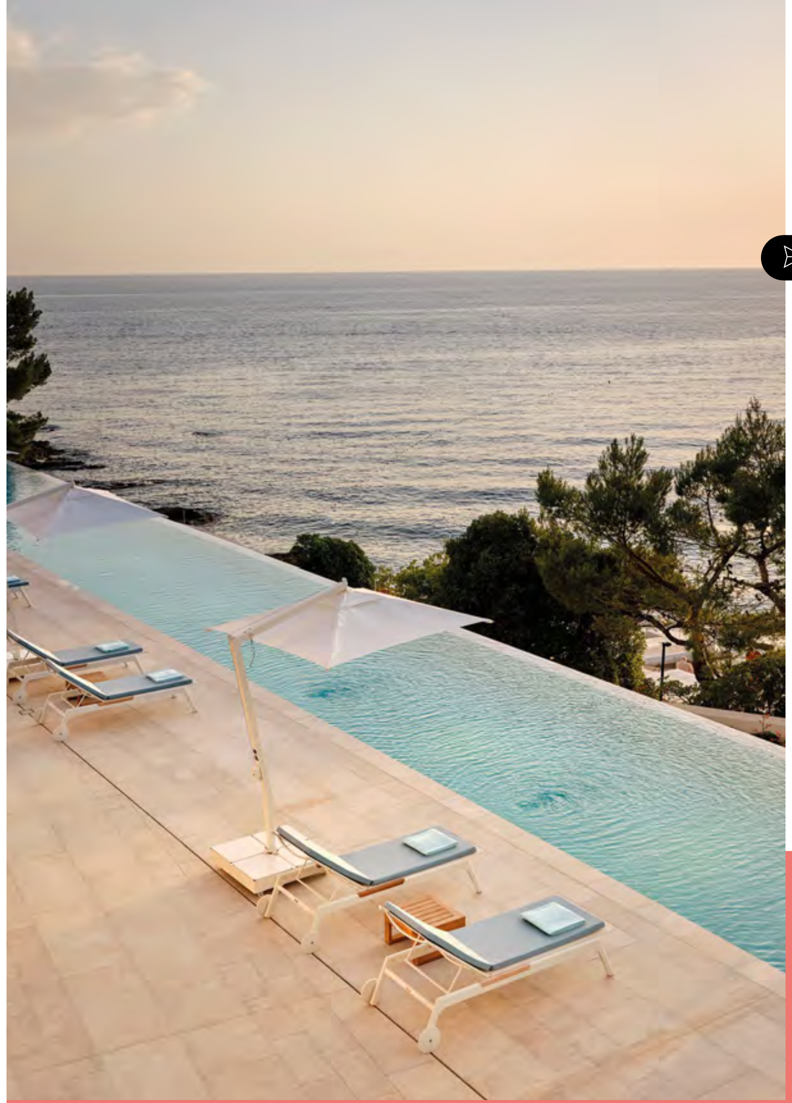
The region continued to benefit from the maturing of properties following significant repositioning investment programmes to upscale market positions across the portfolio. Revenue growth was primarily from hotels and apartments, especially from Grand Hotel Brioni Pula due to its first full-year trading since it opened in May 2022. In addition, campsites performed well and delivered year-on-year revenue growth, building on the record performance in 2022. This performance was achieved despite reduced air travel capacity to and from Pula airport, adverse weather conditions (with torrential rains during the summer season) and the full re-opening of other global tourist markets compared with 2022, providing tourists with more travel options.

Total revenue (in local currency) was up 10.6% to €89.9 million (2022: €81.3 million) and was 28.3% above revenue in 2019. This was driven by an 11.7% increase in average room rate to €161.3 (2022: €144.4) with occupancy decreasing 240 bps to 52.7% (2022: 55.1%). Consequently, RevPAR grew to €85.0, mainly due to the higher average room rate.

Financial performance

	Reported in Pound Sterling[2] (£)					Reported in local currency Euro (€)[4]				
Croatia	**Year ended 31 Dec 2023**	Year ended 31 Dec 2022	% change	Year ended 31 Dec 2019	% change	**Year ended 31 Dec 2023**	Year ended 31 Dec 2022	% change	Year ended 31 Dec 2019	% change
Total revenue	**£78.1m**	£69.2m	12.8%	£61.1m	27.8%	**€89.9m**	€81.3m	10.6%	€70.1m	28.3%
EBITDAR	**£22.4m**	£23.3m	(3.9)%	£19.4m	15.2%	**€25.7m**	€27.2m	(5.6)%	€22.2m	16.0%
EBITDA	**£20.4m**	£21.4m	(4.7)%	£18.2m	12.0%	**€23.5m**	€25.1m	(6.4)%	€20.8m	12.8%
Occupancy[3]	**52.7%**	55.1%	(240) bps	63.1%	(1,040) bps	**52.7%**	55.1%	(240) bps	63.1%	(1,040) bps
Average room rate[3]	**£140.2**	£123.2	13.8%	£91.1	53.8%	**€161.3**	€144.4	11.7%	€104.1	54.9%
RevPAR[3]	**£73.8**	£67.8	8.8%	£57.5	28.4%	**€85.0**	€79.5	6.9%	€65.7	29.4%
Room revenue[3]	**£42.6m**	£36.1m	17.9%	£33.5m	27.3%	**€49.0m**	€42.3m	15.8%	€38.2m	28.2%
EBITDA margin	**26.1%**	30.9%	(480) bps	29.8%	(370) bps	**26.1%**	30.9%	(475) bps	29.7%	(360) bps

1 Independent valuation by Zagreb nekretnine Ltd in December 2023.
2 Average exchange rate from Euro to Pound Sterling for the period ended 31 December 2023 was 1.151 and for the period ended 31 December 2022 was 1.172 representing a 1.8% decrease.
3 The room revenue, average room rate, occupancy and RevPAR statistics include all accommodation units at hotels and self-catering apartment complexes and exclude campsites and mobile homes.
4 Since 1 January 2023, the Group's Croatian portfolio performance has been reported in euros, following Croatia's admission to the eurozone.



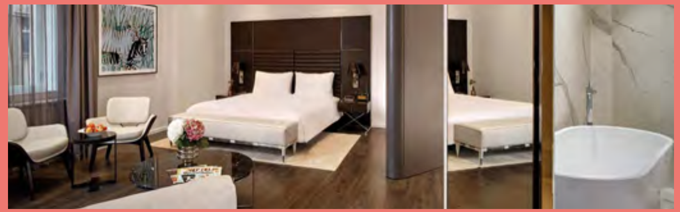
Grand Hotel Brioni Pula, a Radisson Collection Hotel

A landmark, luxury upper upscale hotel in an iconic cliff-top location providing panoramic views of the Adriatic and Brijuni islands.

The hotel was relaunched in May 2022 following a €35 million investment to reposition the property as a Radisson Collection Hotel. The hotel was declared the 'Best Hotel in Croatia' at the prestigious Croatian Tourism Days 2023, organised by the Ministry of Tourism and Sports, the Croatian Tourist Board and the Croatian Chamber of Economy.

Rooms and facilities: 227 rooms over seven floors, restaurants and bars, conference centre, indoor pool, as well as an extensive wellness centre with saunas, relaxation rooms and gym.

art'otel Zagreb



EBITDA was €23.5 million, which was 12.8% above 2019, however, it was 6.4% lower than 2022 (2022: €25.1 million), primarily due to the impact of significantly higher utilities costs, up 71.0% year-on-year, and increased payroll expenses.

Asset management projects

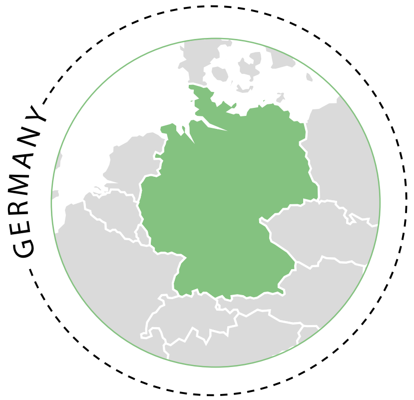
Following phase one of renovations at Arena Stoja Campsite in 2022, phase two was completed ahead of the 2023 summer season. This €8.3 million investment included a new arrival and entrance area for the campsite, an extensive renovation of its main restaurant and coffee shop, along with major infrastructure upgrades, further strengthening the campsite's offering and appeal.

In Croatia, we are taking a more cautious approach to new developments and postponing larger projects, such as the conversion of the Hotel Riviera, Pula into a premium offering, until such time that we can be sure that new investments meet our targeted return hurdle rate. Our planned investment in Hotel Riviera in Pula is temporarily paused due to construction cost inflation associated with the project.

Development projects

In October 2023, the Group opened art'otel Zagreb following a €18 million investment to convert an iconic office building in the heart of the city centre, known to be one of the best examples of Zagreb's Art Deco architecture. Located just off Zagreb's main square (Ban Jelačić Square), the hotel features 110 rooms, a rooftop bar with a panoramic view of the city (opening in 2024), pan-Asian destination restaurant and bar YEZI, four meeting spaces, a spa and an indoor pool. The hotel's Signature Artist is the late Boris Bućan, one of Croatia's best-known artists. His artwork is layered within the very fabric of the hotel for guests to enjoy during their stay – it is a poignant last collection of his life's creativity. The hotel has been well received since its launch in October 2023, and contributed nine weeks of performance to the results.

Germany



Total value of the German property portfolio[1]

£92m

(2022: £100m)

Property portfolio

The Group's portfolio 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] (relaunching in Q2 2024 as Radisson RED Berlin Kudamm), Park Plaza Nuremberg, art'otel Berlin Mitte[3], Park Plaza Berlin 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

Germany is the Group's smallest region and as previously reported, operations had a slower start to the year than other regions, with both rate and occupancy growth impacted by market dynamics in the region. However, trading improved as the year progressed.

Market conditions in Germany saw a continued rebuilding in guest numbers. While this took longer than anticipated, revenue grew significantly year-on-year as a result of an increase in occupancy and average rate. This was supported by the various fairs and events which were hosted in Cologne, Nuremburg and Berlin throughout the period.

Despite the improved revenue performance, the bottom line was impacted by inflation related to rising costs in utilities, food, and service contracts, as well as the ending of government grants for payroll and operating costs.

Total revenue (in local currency) was up 26.0% at €26.2 million (2022: €20.8 million). Occupancy continued to recover to 62.3% (2022: 53.0%) and average room rate grew by 7.1% to €138.4 (2022: €129.3). As a result, RevPAR increased by 25.9% to €86.2 (2022: €68.5).

However, EBITDA was €6.3 million (2022: €7.5 million), impacted by inflationary increases in the cost of goods and services and higher labour costs. In 2022, EBITDA benefited from non-recurring government grants of €2.9 million.

Asset management projects

In Berlin, Park Plaza Berlin Kudamm was closed in November 2023 for a six-month refurbishment programme, which includes a complete refurbishment of all public areas and guest rooms. The hotel is expected to reopen as Radisson RED Berlin Kudamm in Q2 2024.

The German hotel market*

The German market experienced a 18.5% increase in RevPAR to €74.2, resulting from a 11.5% improvement in occupancy to 64.8% and a 6.2% increase in average room rate to €114.5.

In Berlin, RevPAR increased by 16.4% to €85.8 and occupancy increased by 8.3% to 71.3%. Average room rate increased 7.5% to €120.3.

* Source STR European Hotel Review, December 2023.

Financial performance

	Reported in Pound Sterling[2] (£)					Reported in local currency Euro (€)				
Germany	**Year ended 31 Dec 2023**	Year ended 31 Dec 2022	% change	Year ended 31 Dec 2019	% change	**Year ended 31 Dec 2023**	Year ended 31 Dec 2022	% change	Year ended 31 Dec 2019	% change
Total revenue	**£22.8m**	£17.7m	28.4%	£24.2m	(6.1)%	**€26.2m**	€20.8m	26.0%	€27.7m	(5.4)%
EBITDAR	**£5.5m**	£6.4m	(14.2)%	£7.0m	(21.6)%	**€6.3m**	€7.5m	(15.7)%	€8.0m	(21.0)%
EBITDA	**£5.5m**	£6.4m	(14.2)%	£7.0m	(21.6)%	**€6.3m**	€7.5m	(15.7)%	€8.0m	(21.0)%
Occupancy	**62.3%**	53.0%	930 bps	79.4%	(1,715) bps	**62.3%**	53.0%	930 bps	79.4%	(1,715) bps
Average room rate	**£120.3**	£110.3	9.0%	£96.7	24.3%	**€138.4**	€129.3	7.1%	€110.5	25.2%
RevPAR	**£74.9**	£58.4	28.2%	£76.8	(2.5)%	**€86.2**	€68.5	25.9%	€87.8	(1.8)%
Room revenue	**£19.5m**	£15.2m	28.2%	£20.0m	(2.5)%	**€22.5m**	€17.8m	25.9%	€22.9m	(1.8)%
EBITDA margin	**24.0%**	35.9%	(1,190) bps	28.8%	(480) bps	**24.0%**	35.9%	(1,190) bps	28.8%	(480) bps

1 Independent valuation by Savills in December 2023.
2 Average exchange rate from Euro to Pound Sterling for the period ended 31 December 2023 was 1.151 and for the period ended 31 December 2022 was 1.172, representing a 1.8% decrease.
3 Revenues derived from these hotels are accounted for in Management and Central Services performance and their values and results are excluded from the data provided in this section.

◁ art'otel Berlin Mitte

▽ Radisson RED Berlin Kudamm

△ Park Plaza Nuremburg

△ art'otel Berlin Mitte

◁ Park Plaza Wallstreet Berlin Mitte

Other markets

Financial performance

	Reported in Pound Sterling (£)		
	Year ended 31 Dec 2023	Year ended 31 Dec 2022	% change
Total revenue	**£7.9m**	£6.3m	23.9%
EBITDAR	**£(0.5)m**	£(0.6)m	N/A
EBITDA	**£(0.5)m**	£(0.6)m	N/A
Occupancy	**44.4%**	34.3%	1,010 bps
Average room rate	**£129.8**	£97.2	33.5%
RevPAR	**£57.7**	£33.4	72.7%
Room revenue	**£6.1m**	£4.6m	32.3%

Italy, Hungary, Serbia and Austria

This includes recently acquired properties in Italy, Serbia and Austria and a hotel operated in Budapest, Hungary. The Group's properties in Austria and Budapest were open throughout the year. However, the properties in Belgrade (Serbia) and Rome (Italy) were closed all year due to ongoing investment programmes to reposition these properties.

Nassfeld, Austria

The Arena FRANZ Ferdinand hotel in Nassfeld performed well in its first year as a year-round operation (144 rooms). This followed recent investments to refurbish the hotel and upgrade the amenities, such as air-conditioning throughout the property and the addition of wellness areas, including an indoor and outdoor swimming pool. Following completion of the investment, we started to reposition the hotel to capture both the summer and winter seasons. The hotel was open for almost nine months of the year, with average rates increasing substantially year-on-year.

Rome, Italy

The multi million investment in the repositioning of the former Londra & Cargill Hotel is nearing completion. The property, which is in a prime location in the city of Rome, was closed in July 2022 for major refurbishment works, including reconfiguration of the hotel layout and its interior design. The hotel is on track to reopen during H1 2024 as the upper upscale 99-room lifestyle art'otel Rome Piazza Sallustio.

Belgrade, Serbia

The former Arena 88 Rooms Hotel in Belgrade city centre was closed in March 2023 to undergo a £2.6 million refurbishment programme. This was completed early 2024 with the hotel reopening in February 2024 as Radisson RED Belgrade, the Group's first Radisson RED branded property and the second hotel to be operated and marketed by the Group under its extended partnership with Radisson. The hotel has 88 rooms and includes a gym, an all-day restaurant, flexible event spaces, including game areas and a co-working area, and a rooftop bar with views of the historic city centre.

Budapest, Hungary

In March 2023, the property in Budapest was rebranded Park Plaza Budapest (formerly art'otel Budapest). This followed an investment programme in 2022 to redesign and upgrade the public areas. The hotel continued to see an improvement in performance during the year.

Radisson RED Belgrade

Management and central services

art'otel London Battersea Power Station

Our performance

Revenues in this segment are primarily related to management, sales, marketing and franchise fees, and other charges for central services. This includes properties operated by the Group's hospitality management platform, such as art'otel London Battersea Power Station.

These are predominantly charged within the Group and therefore eliminated upon consolidation.

For the year ended 31 December 2023, the segment showed a significant improvement due to the recovery.

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

	Reported in Pound Sterling (£) Year ended 31 Dec 2023				
	Listed Company	**Development Projects**	**Management Platform**	**Arena Hospitality Group**	**Total**
Management revenue	–	–	£34.2m	–	£34.2m
Central Services revenue	–	–	–	£14.1m	£14.1m
Revenues within the consolidated Group	–	–	£(27.7)m	£(12.9)m	£(40.6)m
External and reported revenue	**–**	**–**	**£6.5m**	**£1.2m**	**£7.7m**
EBITDA	**£(2.2)m**	**£(1.0)m**	**£12.1m**	**£(1.9)m**	**£7.0m**

	Reported in Pound Sterling (£) Year ended 31 Dec 2022				
	Listed Company	Development Projects	Management Platform	Arena Hospitality Group	Total
Management revenue	–	–	£24.9m	–	£24.9m
Central Services revenue	–	–	–	£12.6m	£12.6m
Revenues within the consolidated Group	–	–	£(20.7)m	£(11.7)m	£(32.4)m
External and reported revenue	**–**	**–**	**£4.2m**	**£0.9m**	**£5.1m**
EBITDA	**£(3.9)m**	**£(0.4)m**	**£5.5m**	**£(1.2)m**	**£0.0 m**

Stakeholder engagement

As our business grows, it provides long-term, sustainable value to a variety of financial and community stakeholders.

By creating beautiful, world-class hotels across our destinations, we deliver our guests great experiences. We contribute to the economies of our local communities, and we drive up environmental performance.

We are committed to engaging with all our stakeholders for every aspect of our strategy. For example, the ESG Strategy communicated on pages 66 to 79 is based on a double materiality assessment of stakeholders' ESG priorities. This section gives a summary of some of the ways we have engaged with key stakeholder groups in 2023.

Guests

△ art'otel London Battersea Power Station

Stakeholder priorities

- A hotel experience that delivers the best the destination can offer
- To enjoy our hotels in a responsible way through a proactive approach to reducing carbon, plastics and other waste
- Multiple, easy communication channels throughout the guest journey
- Consistency in service and product across the portfolio
- Unique, memorable experiences
- A personalised approach
- Rewarding their loyalty

How we engaged in 2023

Guest experience is a top priority, so we ensure we engage fully with each guest's needs before, during and after their stay.

Before the stay:
Guests are encouraged to contact us through various channels to advise us of any needs or requests they might have.

During the stay:
Hotel teams are always available for guest needs, but we are proud of the Digital Guest Experience, which allows guests to check-in and out, use smartphones as room-keys, and book spa services and order room service from in-room interactive services.

Nothing can replace in-person service, so we maintain a Service of Hospitality programme to ensure the best possible guest experience.

We have rolled out new ways of ensuring our staff have digital information to enhance guest experience. Not only does this speed up, and ensure consistency and monitoring of, our service to guests, it has hugely reduced the demand for paper in daily operations.

After the stay:
Surveys are sent after each guest stay, where a valid email address is on record. Guest reviews are proactively monitored and responded to, and we maintain a dedicated customer service centre.

Social media listening and social media engagement
In 2023, we received 90,731 online reviews and 43,714 Guest survey responses. We were highest rated in: Service, Location, and Food and Beverage. We also scored 93.7 when we asked if guests would recommend us.

Investors

Stakeholder priorities

- Transparency and accountability to ensure what we do drives long-term, sustainable returns on investment
- Good Corporate Governance
- Reduced carbon emissions
- Diversity, Equity and Inclusion at leadership level

How we engaged in 2023

Our senior leadership follow up on our full-year and half-year results announcements with an Investor Road Show. This allows full and frank discussion of the results, and the plans for the future, ensuring that the leadership of the business is fully accountable to its investor base.

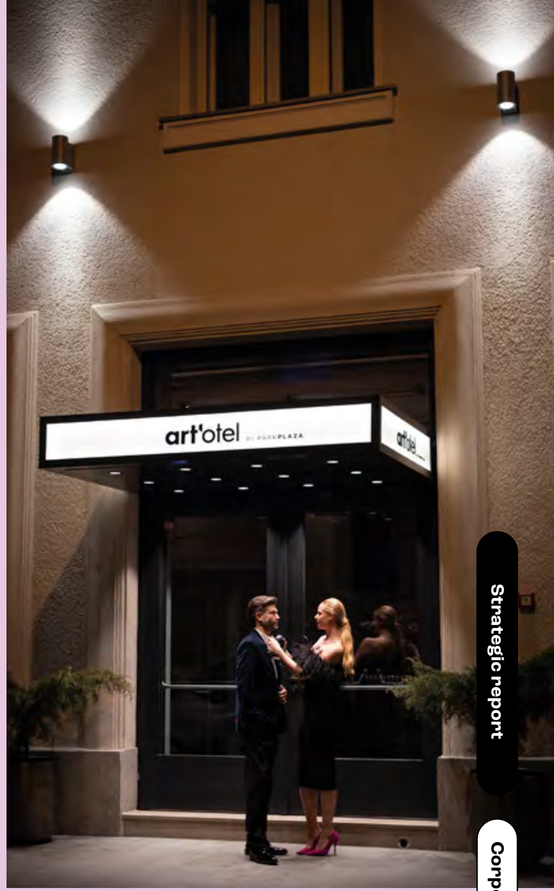
Should any given investor be unable to attend a road show session, video presentations about the results are recorded and made available online.

Showing is always more effective than telling, so we have regular investor lunches at our hotels. We also conduct site visits to show progress on development projects, and explain our pipeline.

We also ensure that we remain available on an ad-hoc basis, so we make periodic presentations, and have investor calls throughout the year. The Senior Independent Director is always available to shareholders.

We maintain online information channels through LinkedIn messaging of news, results and developments, and an e-mail newsletter to investors, who can subscribe to alerts from PPHE.com.

Third party analyst coverage is also available through brokers and paid-for publications.



△ art'otel Zagreb

Team members

▽ Arca team, art'otel Amsterdam

Stakeholder priorities

- Working for an employer that cares about their wellbeing and development
- Contributing to environmental and social progress
- A great place to work: safe, flexible, diverse and inclusive
- A job to be proud of
- Health, physical and mental
- Being rewarded for loyalty and dedication
- Careers that grow, progress and develop
- Learning at work
- Feeling respected, valued and heard

How we engaged in 2023

2023 saw the launch of our monthly ESG newsletter, to inform everyone working in the business about the company's ESG Strategy and update them on progress towards our targets.

We also formed a network of ESG Ambassadors in all our hotels, who will support the implementation of our agenda. This ensures everyone can help take ownership, drive local initiatives, and stay informed about our progress.

We maintain Team Member Forums at our hotels, which are a great supplement to Let's Connect sessions, where senior leadership present updates on the business, and receive feedback. The Team Member Forums allow for comments, suggestions, and requests for change to be fed up to senior leadership, and are a vital part of ensuring ongoing communication between the business and our team members.

Forum members are elected by their peers, with a representative from each department in the hotel or regional office. They meet monthly. A Regional Forum, with a representative from each location, meets with the Executive Vice-President of Operations for the region quarterly.

⚠ art'otel London Battersea Power Station

Communities

Stakeholder priorities

- Creation of good, skilled jobs for local people
- Care for our local environment through clean air, biodiversity, and waste reduction
- Engagement with non-profit organisations
- Support for civil society locally – schools, hospitals, homelessness charities and the like
- Attracting consumers to local businesses
- Attracting investment

How we engaged in 2023

Our teams have provided financial and in-kind donations to their chosen local non-profit organisations. Examples of this include the partnerships with Oasis Academy and Clean Conscience. Oasis Academy supports the development of young people in London, while Clean Conscience collects used furniture and toiletries from our hotels and donates them to people in need, diverting these items from landfill.

Our hotels have also hosted various events to support homeless shelters by providing meals and financial support. An instance of this is the collaboration with StreetSmart, a charity with the mission to tackle homelessness in the UK, for which we have raised funds by adding an optional donation to restaurant bills. Furthermore, we have expanded these collaborations by hiring staff through the charity with 79 people hired in 2023.

In 2023 we connected with local government, with the aim to create stronger partnerships to work towards clean air and net zero targets.

∇ Tozi, Park Plaza Vondelpark, Amsterdam

Affiliates

Stakeholder priorities

- A strong business partnership through shared stewardship of brand standards
- Safeguarding brand reputation for environmental and social issues

How we engaged in 2023

We regularly engage with Radisson to ensure ESG alignment.

Brand standards audits ensure customers can rely on high product standards.

Suppliers

Stakeholder priorities

- Sustainable procurement

How we engaged in 2023

We engaged many of our suppliers to understand how they can support us in improving environmental sustainability and social responsibility across our supply chain.

We looked at the ways non-profit organisations can support us in ensuring high standards in commodity procurement, for example, ensuring sustainable fish supplies.

∇ YEZI, art'otel Zagreb

Throughout 2023, teams in the business have worked diligently to set and refine defined targets to achieve the strategic objectives of our ESG Strategy.

Inbar Zilberman
Chief Corporate & Legal Officer

"Environmental, Social and Governance targets are a high priority for our stakeholders. We are setting robust targets, and aiming for maximum transparency."

We are working on delivering on the ESG priorities of all of our stakeholders and publicly communicating the information both customers and shareholders have requested to assist them with their own ESG strategies.

This year has seen us take important measures to maximise best practice, and to communicate the actions we take effectively to stakeholders. We are working on a deep-dive assessment and analysis of our Scope 3 carbon emissions over a 12-month period of full operations, in order to assist with setting baselines for measurable Scope 3 carbon reduction targets. Overall, we have 35 ESG targets divided between: our Properties, our People, our Local Communities and our Supply Chain. In order to manage implementation, we have recruited a full-time ESG manager to monitor and report to the Executive Leadership Team on our performance benchmarked against competitors and progress on achieving our strategic objectives. We additionally have third party support from the Zero Carbon Company, the Energy & Environment Alliance for advice on delivery of strategic objectives.

Park Plaza London Waterloo Team Member

PPHE Human Resources Team

ESG Strategy targets

Our ESG Strategy is based on the principle of double materiality, which allows us to determine what issues are most important to our stakeholders; the environmental and social impact of our business operations; and the impact of environmental and social changes on the long-term success of the business.

Our targets each align to a strategic objective designed to meet stakeholder expectations. These are aligned with the United Nations Sustainable Development Goals (SDGs).

Although we can relate our activities to most of them, those that we feel like we can contribute the most to are:

#3 Good Health and Well-being

#8 Decent work and economic growth

#11 Sustainable cities and communities

#12 Responsible consumption and production

#13 Climate action

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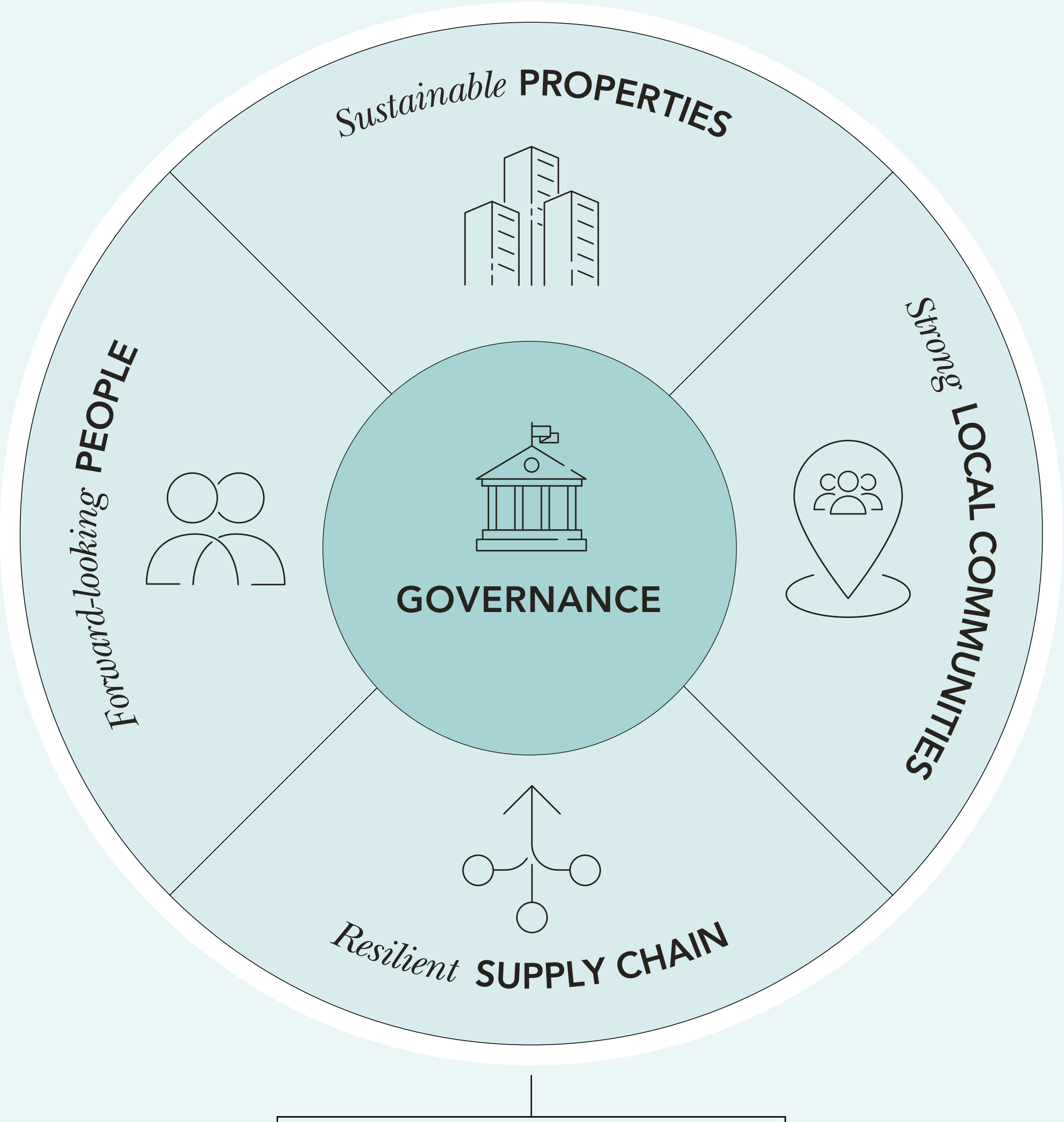
Our ESG Strategy



Strategic Objectives

Each target furthers the achievement of a defined Strategic Objective. The Strategic Objectives have been set to meet stakeholder priorities, and to ensure that each element of the strategy is part of a mutually supporting framework. They have been designed so that, where possible, achievement of one Strategic Objective furthers others and the strategy overall.

We were supported by the consultancy Luminous in the materiality assessment, and subsequent development of the strategy. We use other third parties to assist us. For example, the Zero Carbon Company helps us with our detailed Scope 3 carbon footprint, and the Energy & Environment Alliance (EEA) is assisting us finding third party assurance for robust building certifications.

As part of our effort to reduce carbon emissions, we have sent a commitment letter to the Science-Based Targets Initiative (SBTi). This informs them of our intention to set a net zero target, and to commit to long-term and interim targets which we will request that they verify. Once we receive this third party validation of our net zero targets, we will be required by SBTi to meet interim targets, and will therefore be publicly accountable on our progress, metrics and achievement of milestones. The next steps will be setting and communicating the two targets to SBTi for their validation within two years.

On our objectives to attract and retain talent and promote Diversity, Equity and Inclusion, we have established detailed targets for workforce engagement, wellbeing and awareness of the Company's ESG activities. ESG Ambassadors now exist in every property to ensure that centralised initiatives are properly communicated throughout the business, whilst local initiatives are properly communicated to the Executive Leadership Team.

Strategic Objective	Strategic Pillar	ESG Priority
Achieve net zero by 2040		Environmental
Adapt to climate change		Environmental
Attract and retain talent		Social
Communicate our ESG efforts to stakeholders		Governance
Enhance biodiversity		Environmental, Social
Ensure waste management best practice		Environmental, Social
Promote Diversity, Equity and Inclusion		Social, Governance
Promote ESG across our supply chain		Environmental, Social
Ensure good stewardship of water resources		Environmental, Social
Support local communities		Environmental, Social

On supply chain management, we are ensuring that risks pertaining to certain industries in terms of environmental impact, and unacceptable working practices and labour exploitation, are covered in detail in sourcing policies.

> "Biodiversity, social value, waste and water baseline data is being collected in order to set numerical targets by stakeholder recognised metrics."

Reporting

In 2023, we have disclosed our Company information through a variety of frameworks, such as CDP (formerly known as Carbon Disclosure Project), WDI (Workforce Disclosure Initiative) and we are preparing to publish under the GRI (Global Reporting Initiative) framework.

This year the International Sustainability Standards Board (ISSB) published two new standards for sustainability disclosures: IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information', and IFRS S2 'Climate-related Disclosures'. Being a listed company on the London Stock Exchange, PPHE will be in scope of both these new standards and required to report from 2025. IFRS1 will broadly follow the Sustainability Accounting Standards Board (SASB) standard and IFRS2 the Task Force on Climate-Related Financial Disclosures (TCFD). More detail on this can be found in the TCFD Report Summary on page 80.

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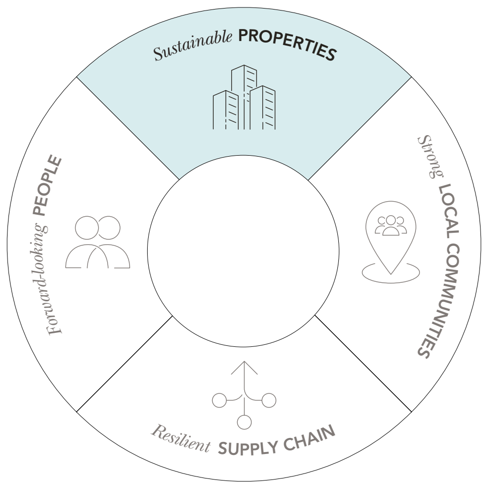

Links to UN SDGs: 11 Sustainable cities and communities; 13 Climate action

Energy and carbon emissions

In 2023, we completed a detailed mapping of our carbon footprint across the portfolio for a 12-month period where our hotels were operating in such a way as to permit a representative sample of data.

Working with the hospitality industry's Zero Carbon Company to obtain, analyse and publish this data was labour intensive, but allows us to set accurate baselines for carbon consumption, and roadmaps to reduction. From the data, we are able to design engineering plans, including anticipated capital expenditure requirements, which allow us to update our properties in such a way as to further our net zero goals. They also allow us to review our supply chain to reduce and remove carbon emissions from Scope 3.

Sustainable Properties

Table 1. Carbon footprint of PPHE Hotel Group (2023) (calculations supplied by Zero Carbon Company)

Emission scope	tCO_2e (Market)	% of Total (Market)	tCO_2e (Location)	% of Total (Location)
Scope 1	10,529	14%	10,529	12%
Scope 2	3,300	4%	16,321	18%
Scope 3	62,597	82%	62,597	70%
Total	**76,426**	**100%**	**89,447**	**100%**

To ensure that our hotels achieve high standards of environmental performance we have committed to ensuring that all new-build hotels, repositioning projects and refurbishments obtain an environmental certification by a recognised building certification scheme. In the UK, we have done this by pursuing new Building Research Establishment Environmental Assessment Methodology ('BREEAM') certifications. Four of our hotels are already certified via the BREEAM standard: Park Plaza London Waterloo, Park Plaza London Riverbank, Park Plaza Park Royal London and art'otel Battersea Power Station London. Our two ongoing construction projects, art'otel London Hoxton and art'otel Rome Piazza Sallustio, are being constructed with the aim to be awarded BREEAM certification in 2024. In the rest of our European portfolio, we are exploring both BREEAM and other possible environmental certifications relevant to the specific countries in which we operate (such as Deutsche Gesellschaft für Nachhaltiges Bauen (DGNB) in Germany).

All hotels in all regions (with the exception of Radisson RED in Belgrade) are supplied by 100% renewable electricity. This is achieved in the UK through Renewable Energy Guarantees of Origin (REGOs) and in the rest of Europe through Guarantees of Origin (GoOs). Our engineering team is conducting studies to phase out gas and further electrify our properties. An example of this commitment are the investments made into Park Plaza Victoria London in 2023, where we spent around £2 million to replace the air conditioning system in all guest rooms. Additionally, we will also upgrade the boiler systems, bringing even further reductions in gas consumption.

The efforts around the environmental performance of our hotels are also reflected in the certifications that they have awarded, which are shown in Table 2.

⚠ Park Plaza London Riverbank Engineer

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

Table 2: Environmental sustainability and social responsibility certifications

The Netherlands

Green Globe
- Park Plaza Amsterdam Airport
- Park Plaza Victoria Amsterdam
- art'otel Amsterdam

Green Key

Gold
- Park Plaza Eindhoven
- Park Plaza Vondelpark Amsterdam
- Park Plaza Utrecht

United Kingdom

Green Tourism

Gold
- Park Plaza Westminster Bridge London
- Park Plaza Nottingham
- Park Plaza County Hall London
- Park Plaza London Waterloo
- Park Plaza London Riverbank

Silver
- Park Plaza Victoria London
- Park Plaza Leeds
- Holmes Hotel London

Germany

Green Key
- art'otel Berlin Mitte
- art'otel Cologne
- Park Plaza Berlin Kudamm
- Park Plaza Berlin
- Park Plaza Wallstreet Berlin Mitte
- Park Plaza Nuremberg

Croatia

Travelife

Gold
- Park Plaza Belvedere Medulin
- TUI BLUE Medulin
- Park Plaza Histria Pula

Blue Flag
- Park Plaza Histria Pula
- Grand Hotel Brioni Pula

Green Key
- Park Plaza Histria Pula
- Park Plaza Punta Verudela Pula
- Verudela Beach Pula
- Park Plaza Arena Pula
- Grand Hotel Brioni Pula
- Splendid Pula
- Horizont Pula
- Park Plaza Belvedere Medulin
- Arena Hotel Holiday Medulin
- Hotel TUI Blue Medulin
- Ai Pini Medulin
- art'otel Zagreb
- Arena Grand Kažela Campsite Medulin
- Arena One 99 Glamping
- Arena Stoja Campsite Pula
- Arena Medulin Campsite
- Arena Stupice Campsite
- Arena Tašalera Campsite
- Arena Runke Campsite
- Arena Indije Campsite Banjole

Just a Drop Yimwaa Primary School Kenya supported by PPHE

Our guests can participate in our efforts towards better water stewardship through the Ecological Programme. Launched in 2022, the programme allows guests staying for a minimum of two nights to opt out of all housekeeping services, helping us reduce the amount of water, energy and detergent used to wash linens. In return, the hotel donates €/£1 per night to our nominated charity 'Just a Drop', which provides water hygiene and sanitation to communities in developing countries, while guests can choose from a range of rewards.

In 2023 we have donated £103,000 to Just a Drop. These funds have helped Just a Drop implement projects in communities in Cambodia, Zambia, Nicaragua and Kenya. The projects have supported 742 people in the Mumbwa District in Zambia and our support to these projects directly contributes to the SDGs 'Clean water and sanitation', 'Good health and well-being', and 'Sustainable cities and communities'.

We are also looking at climate risk across our portfolio, with our latest analysis included in the 2023 TCFD Report. While climate change in and of itself remains an 'emerging risk' under the rubric of our enterprise risk management system, multiple 'principal risks' include a climate change element, or the impact and/or likelihood of these risks materially increases due to climate change. Please see our Enterprise Risk Management section on page 84 for further information.

The TCFD Report contains an analysis of all the identified climate risks under different scenarios for each of the geographies where we operate (see page 80). However, to ensure that our business is future-proofed against these climate risks, we have established a target to conduct an in-depth analysis of these also at the level of each property by the end of 2025.

Water

Water stewardship was a high priority for multiple stakeholder groups in our 2022 ESG materiality assessment. We use technology in our plumbing systems to regulate and restrict water flow, and we are collecting water usage data for analysis in order to identify further reduction opportunities. Each of our properties automatically collects water consumption data and inputs it into our data management tool for accurate, daily reporting.

Analysis conducted as part of TCFD reporting has identified the water stress profile of our areas of operation. None of our properties is located in a region classified as under 'extreme' water stress, however London and Berlin are both designated as areas of 'high' water stress. The design and operation of our properties and capital expenditure plans on refurbishment accordingly take into account the need to minimise water usage.

742
People supported in the Mumbwa District, Zambia

Waste

One of our ambitions in this area is to send zero waste to landfill from all of our properties, given the adverse environmental impacts that this method of waste disposal generates.

We have also engaged in conversations with our waste management providers, who are supporting us to improve our waste management practices (for example, through training of staff working in waste loading bays and reduction of waste collection journeys) and to ensure the accuracy in the waste diversion data, with the aim to start reporting on this data in the 2024 Annual Report.

We have introduced measures to decrease the usage of paper and plastics: key materials that contribute to high waste and low overall sustainability.

Measures to reduce usage and waste of key raw materials

Paper	Plastic
· Digital check-in/out and digital keys for guests; · 'Smart rooms' in several of our hotels; · QR codes replacing restaurant menus and guest directories; · Software platform for hotel operations, which allowed us to transition from paper to digital solutions for most activities, such as housekeeping and maintenance; · Electronic invoicing to replace paper (where guests allow).	· Single-use plastic targeted for removal from hotel rooms by 2026; · Single-use plastic containers for bathroom amenities to be replaced with larger dispensers by the end of 2024 for both Park Plaza and art'otel; · Plastic wrapping in slippers removed from some of our hotels; · Plastic and packaging identified as high priority for reduction in supplier engagement activities scheduled for 2024.

Other updates in our waste reduction practices include:

- Use of biodegradable toiletries and detergents extended;
- Waste compactors installed where possible to reduce the volume of waste collected, ultimately reducing the number of waste collections per week.

Beehive at Park Plaza London Waterloo

Biodiversity

The local communities in which we operate are one of our four strategic pillars. While much of our portfolio occupies vibrant city centres, though in the Croatian region, we are proud to be a steward of protected wildlife areas and a national park. These urban and rural areas present contrasting challenges for biodiversity improvement. Besides making our spaces more visibly appealing to our guests, investing in biodiversity also contributes to improved air quality in urban centres. To support this ambition, we have a target to have our hotels contributing to at least one biodiversity project in each region by the end of 2025. Where this is not possible on site, due to limited available space, we will look to support biodiversity projects managed locally (for example, supporting local authorities or voluntary organisations in activities like the creation of green spaces or the restoration of ecosystems). Park Plaza London Waterloo and Park Plaza Nottingham already have biodiversity projects in place, with beehives installed on both of their buildings. Each harvest at Park Plaza London Waterloo yields almost 30kg of honey, which is used in their desserts and cocktails.

In Croatia, three of Arena Hotel Group's (Arena) campsites covering 570,000m^2 are located within the boundaries of the Protected Nature of Southern Istria. These areas constitute an important network of connected habitats, and our operations are fully aligned with EU and national provisions governing biodiversity conservation. Furthermore, Arena has a horticulture team with more than 30 members who provide care to green areas. Arena has been awarded with the Blue Flag Gold for over 15 years of ongoing commitment to preserving three beaches in the Verudela Peninsula.

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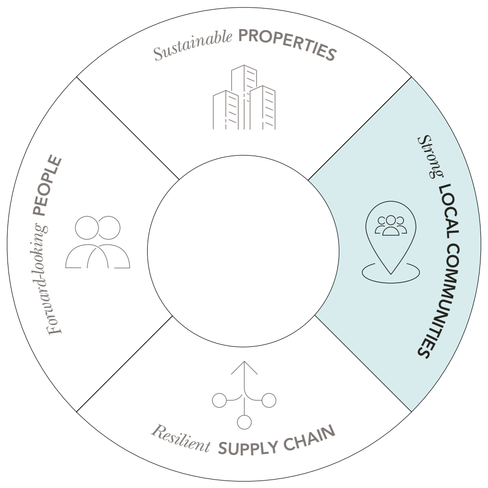
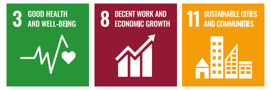


Links to UN SDGs



Strong Local communities

Social Value

We consider being a responsible corporate citizen an important aspect of our operations. Therefore, many of our hotels support local communities in various ways, through both financial and in-kind donations. Here are just some examples:

- Some of our hotels are supporting the charity Clean Conscience, which allows companies to donate surplus assets to non-profit organisations. In particular, in 2023 the Park Plaza Waterloo and Park Plaza Riverbank hotels have donated unused furniture, soap and toiletries for a total value of over £10,000

£10,000+
donated

Just a Drop Yimwaa Primary School Kenya

- Through our Ecological Programme, all our Park Plaza and art'otel hotels support the charity 'Just a Drop', which provides clean water, sanitation and hygiene projects to communities in South-East Asia, Africa and Latin America. in 2023 alone, PPHE has raised over £103,000 for projects delivered by Just a Drop

£103,000
raised for projects delivered by Just a Drop

- Our hotels in Amsterdam support refugees through Lijnden Business Park and homeless shelters

The quantification of these donations supports our target to start measuring social value in 2023. Although these are only partial figures, from 2024 we will be able to start measuring and reporting on social value across a wider range of the portfolio. This will also allow us to use 2024 as a baseline year to then set future social value ambitions.

The opening of art'otel Battersea Power Station London, Radisson Red Belgrade and art'otel Zagreb in late 2023 has created around 270 jobs in the respective locations, with more expected for 2024 with the opening of art'otel Rome Piazza Sallustio and art'otel London Hoxton.

270
jobs created

As part of our efforts to support our local communities, in 2024 we will launch an initiative to provide every PPHE employee with one day of volunteering per year (in addition to their annual leave entitlement). This will allow us to strengthen our partnership with local charities and NGOs, providing an additional stream of support to them besides financial support, provision of Meetings and Events (M&E) spaces, and donation of money, furniture and other goods.

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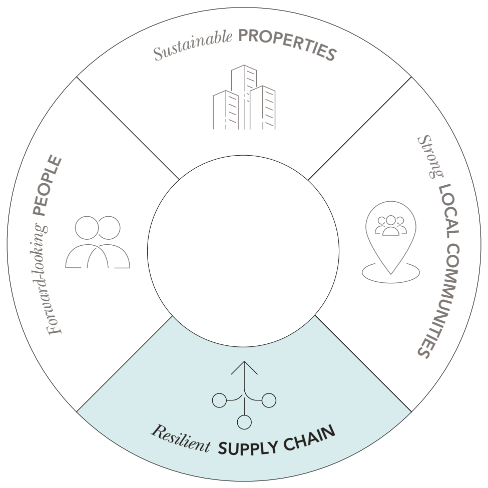


Links to UN SDGs

To ensure that our ESG efforts go beyond our own organisation, we are at work on updated sourcing policies that incorporate higher standards around environmental sustainability and social responsibility.

During the year, we have engaged with many of our suppliers to understand how they can support PPHE's ambition to become a more sustainable business. The new policies will be devised in 2024, with their implementation planned for 2025.

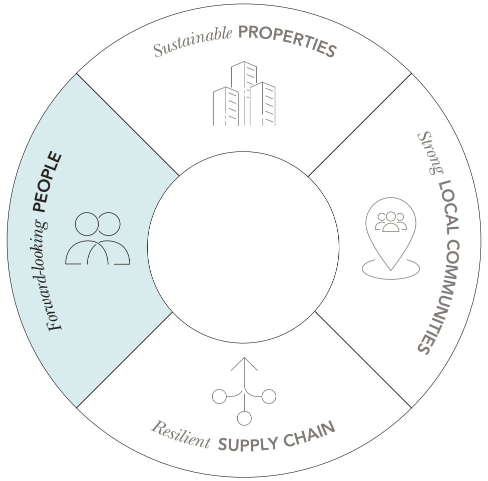
Resilient Supply chain

As a UK-listed company, we are working towards making our impact on environment, economy and society up and down the supply chain is a net positive one. We are undertaking work to understand this impact better.

We set out in our statutory Modern Slavery Act 2015 statement how we approach human rights and labour standards in our supply chain. This involves looking at the risk profile of products and services. We assess the likelihood of exploitation or coercion of workforces involved in the production of our facilities. Our new policies will enable us to be more accountable by setting out specific measures taken to address risk where it exists.

The global fisheries industry provides an example of how we take this risk-based approach to both human rights and environmental issues. Workers at sea are automatically at higher risk of exploitation, because they are unable to leave their workplace, and their employer controls their working and living environments. We are factoring this into new policy documents.

We are also engaging with specific suppliers to understand the sustainability of fish stocks to ensure that our menus do not contribute to over-fishing.



Links to UN SDGs

As one of the pillars of our ESG Strategy, the importance of our people is reflected in some various targets that we have set for our organisation. These include ambitions around employee wellbeing, engagement rate, learning and development, retention rate, and Diversity, Equity and Inclusion (DE&I).

Forward-looking People

Diversity, Equity & Inclusion (DE&I)

In 2024 we will introduce mandatory DE&I training for all managers, to ensure they are all aware of the challenges and opportunities arising from having a diverse workforce as well as other initiatives to support our DE&I agenda.

The work towards the rollout of a DE&I programme started in 2023 in our hotels in the Netherlands. We have worked with an external consultant to undertake an analysis to define a roadmap of actions for the immediate future. This will ensure that we make each and every employee and guest feel like they are valued regardless of their differences, ultimately bringing a diverse, equitable and inclusive environment for everyone in our hotels.

Workforce engagement

At PPHE, we want to ensure that everyone knows they can speak up and that their feedback will be taken on board. In 2023, our pulse surveys reported that employee engagement rate for the UK and the Netherlands sits at 83%, exactly meeting our Company target and placing us above the industry average of 81%.

Investment in People

74
Career walk-in centre hires 2023

From August to October 2023, our Head of Compliance visited all the hotels in the UK and the Netherlands, to deliver in-person sessions on business ethics to the General Managers and their Heads of Department. These sessions were aimed to raise awareness around issues such as our whistleblowing policy, harassment in the workplace, safe personal data handling and more.

ESG communications and training

None of our targets can be achieved without the enthusiastic support of our people, so keeping people informed and engaged is key. An ESG newsletter was launched in October 2023, which included a high-level overview of the ESG Strategy, and is sent to employees regularly with updates on progress against our targets and ongoing initiatives.

To ensure that our ESG vision is shared and communicated at all levels in the organisation, we have created a network of ESG Ambassadors spanning all properties (the hotels and regional offices in the UK and the Netherlands). Their role is to support delivery of the strategy and be responsible for the two-way communication between Team Members in hotels and regional offices and the Executive Leadership Team on what we are achieving, and how we do it.

Good ESG is self-reinforcing

Work to engage employees in driving community engagement, DE&I and environmental targets will increase engagement, job satisfaction and employee retention.

Highlights

83%
Employee engagement

62
Charity partnerships hires

23
UK apprentices

61
Netherlands interns

183
Promotions

The listing rules (LR 9.8.6R) require the Company to include a Task force on Climate-related Financial Disclosures (TCFD) statement in the Annual Report.

This summary includes climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures.

Reporting on our climate-related risks and opportunities

This section gives a report on the governance, strategy and risk-management of climate change within the organisation. It also discloses a summary of our targets and information as to the metrics by which our carbon output is calculated across Scopes 1, 2 and 3. These pages ensure we meet reporting obligations under Streamlined Energy and Carbon Reporting regulations (SECR) as well as the four pillars of TCFD in the Annual Report and Accounts. We additionally publish a standalone TCFD Report on our website. For reasons of space, greater detail on our carbon metrics broken down into regional operations are included in that document, but not in this summary.

Building on the work done in 2022, in 2023 we expanded and added detail to our ESG Strategy, with a list of targets that involves all areas of our business. An important milestone is the submission of our commitment letter to SBTi, which marks our intention to set science-based targets on the road to achieving net zero by 2040. We are now in the process of creating our capital expenditure plan to understand where investments will be needed to reach this ambitious target. This year we have also continued our partnership with the Zero Carbon Forum and the Energy and Environment Alliance, who provided us with invaluable expertise to support our emission reduction ambitions.

Governance

Climate change and the transition to a low-carbon economy are included in our Enterprise Risk Management ('ERM') framework as emerging risks. In doing so, we ensure that climate-related risks are embedded into our risk management and business strategy, allowing us to respond promptly to these risks. Furthermore, this also ensures that the transition to a low-carbon economy is fully integrated in our business strategy.

The Board has responsibility for the Group's long-term success, and responding to the challenges that climate change poses is part of this process. Our governance structure incorporates ESG measures into executive remuneration (see Remuneration Report on page 131). We are working to include further ESG KPIs into the balance scorecard.

The Chief Corporate & Legal Officer, Inbar Zilberman, reports to the Board and is the Executive Leadership Team member responsible for ESG and climate-related matters. She oversees compliance with TCFD reporting requirements and ESG arrangements, practices and procedures. In 2023, this included the analysis of our stakeholders' priorities and the work on our ESG targets, which have shaped our organisation's ESG ambitions.

Our Audit Committee oversees and advises the Board on the Group's risk exposure, risk appetite and future approach to risk. As part of this, it assists in monitoring financial and non-financial climate-related risks and is responsible for tracking changes in this area that could alter the risk profile. Between October and November 2023, routine functional risk updates were conducted with all internal departments by the Head of Internal Audit and Risk, supported by the ESG Manager for climate-related risks. ERM reports are made to the Audit Committee. This process raised no new comments or concerns about climate-related risks.

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

To ensure that environmental sustainability and social responsibility are embedded in our day-to-day operations, in 2023 we rolled out an awareness campaign for employees about the Group's efforts on ESG. This has taken the form of a newsletter, ESG Ambassadors in the hotels, and training on ESG made available to all employees. With these tools, we want to foster a culture that allows us to act responsibly throughout the whole of our operations.

Strategy

We recognise that climate change is a complex issue and acknowledge our responsibility to minimise our impact on the environment. Therefore, we are committed to reducing our carbon footprint, and environmental impact in general. Our ESG Strategy and the detailed targets it contains will be instrumental for us to achieve this ambition. As a company that develops, owns/co-owns and manages many of our properties, we are uniquely positioned to integrate sustainability into our business from the point of development through to day-to-day operations. We believe that embedding sustainability in each and every step of our operations can offer long-term value for the Group and all our stakeholders.

This is an ever-changing area, due to the constant evolution of climate understanding, technology and the government's commitments to reduce carbon emissions throughout the whole economy. With the latter expected to lead to further changes in the policy landscape across our industry, climate risk assessment is critical to ensure our business strategy is sustainable in the long term.

Climate Scenario Analysis

Building on the 2022 analysis, in 2023 we conducted further research on the risks that climate change poses to our business. This has taken into account more extensive scientific knowledge available, as well as the extreme weather events that occurred throughout 2023, leading to a more solid basis for the assessment of our exposure to climate risks. In light of this updated assessment, we concluded that our risk impact and likelihood scores remain the same as for last year. However, this year's improved approach to horizon scanning for emerging risks will be replicated in the years to come, enabling us to capture variations in climate-related risks in more detail.

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

- Below 2°C: high levels of transitional risks but limited physical risks
- 2–3°C: the highest level of transitional risks with some physical risks
- Above 3°C: limited transitional risks but the highest level of physical risks

Time horizons

Given the long-term implications of climate change, the risks were considered across three time horizons:

- Short term: 2024–2026
- Medium term: 2027–2030
- Long term: beyond 2030

Due to the uncertainty related to climate change, both in its impacts and the policies that regulate the response to it, it is extremely difficult to predict the consequences that this will have on the business for decades to come. Hence, we did not set an end boundary to our long-term scenario, as we deemed it reasonable to have this cover the future beyond 2030 as a whole. The tables below show the analysis of our residual transition and physical risks.

Table 1: Assessment of residual transition risks

Transition risk	Timeline	Likelihood	Financial impact*
Negative perception of the Group by stakeholders with regard to climate-related matters	Short/Medium	Unlikely	Moderate
Carbon pricing increasing input costs	Medium/Long	Unlikely	Minor
Climate change increasing input costs	Short/Medium	Almost certain	Minor
New climate-related regulations impacting cost of existing operations and new developments and dampening existing property portfolio value	Short/Medium	Almost certain	Minor
Cost and disruption of updating physical infrastructure to phase out non-renewable energy sources	Short/Medium	Almost certain	Moderate
Increasing influence of climate-related matters on customer preferences and market demand	Short/Medium	Almost certain	Minor

* Minor: <£1.2 million; Moderate: £1.2–6 million; Major: £6–24 million. All refer to annual impact.

Table 2: Assessment of residual physical risks

Physical risk	Timeline	Likelihood	Financial impact*
Increased mean temperatures and likelihood of heatwaves	Short/Medium	Almost certain	Minor
Water stress	Medium/Long	Almost certain	Minor
Sea level rise	Long	Almost certain	Minor
Floods	Short/Medium	Very unlikely	Major
Forest fires	Short/Medium	Very unlikely	Major

* Minor: <£1.2 million; Moderate: £1.2–6 million; Major: £6–24 million. All refer to annual impact.

Transition risks

We identified and assessed six transition risks, as listed in Table 1. The risk profile for these differs mostly based on the geography in which our properties are located. For example, customer expectations around climate-related matters will be more influential in some countries than in others, with the same applying to the regulatory landscape.

Physical risks

The physical risks we deemed material for our business are shown in Table 2. However, the relevance of these risks varies significantly across our properties. For example, forest fires are mostly a concern for our properties in Croatia, while sea level rise and floods more so for our properties in Amsterdam. On the other hand, a risk such as Increased mean temperatures and likelihood of heatwaves is relevant for each and every property in our portfolio.

For each of these physical and transitional risks we have control and mitigation measures, including for example insurance and crisis management plans.

Climate-related opportunities

While climate change mostly poses risks to our business and to the hospitality industry as a whole, we always seek to also identify the opportunities this might bring. For our business, these typically lie in our ability to adapt to climate change more quickly than our competitors, by offering more sustainable products and services to our guests, and constantly increasing the energy efficiency of our operations.

Risk management

Having a detailed risk management process in place is critical to our success. We have an Enterprise Risk Management (ERM) system, which is integrated into the strategy of each corporate function. While climate-related risks are included in our ERM framework as emerging risks, these are also present in other risk registers, as climate change can affect multiple areas of our business. This is vital to our business planning, as it helps us identify actual and emerging risks and the necessary control actions.

The four key elements that form our risk management framework and ensure we make informed decisions are: a risk -reward strategy, good risk governance, a defined risk management process, and risk assurance. Enterprise risk assessments are reviewed quarterly. The assessments and reviews evaluate the potential financial costs of each risk.

Metrics and targets

With climate change posing a significant threat to the whole hospitality industry, it is essential that every organisation in this sector strives towards more sustainable and transparent operations. Therefore, PPHE is strongly committed to reducing our carbon footprint. In 2023 we have added increased detail to our carbon balance sheet, with a breakdown by individual country where we operate. The complete tables for each region are included in the standalone TCFD Report. This step was instrumental for our Group to work towards set science-based targets and our net zero ambition.

Some of the targets around our environmental performance are the following:

- Net zero by 2040;
- Ensure that our buildings obtain building sustainability certifications;
- Procure renewable energy for power where available;
- Conduct climate risk assessments at the property level;
- Send zero waste to landfill where possible;
- Have each property supporting biodiversity projects.

Streamlined energy and carbon reporting (SECR)

The requirements of SECR, imposed by the 2018 Regulations on quoted companies and on large unquoted companies and large LLPs, apply to reports for financial years starting on or after 1 April 2019.

This SECR report contains energy and transport consumption, emissions along with requirements of intensity ratio, methodologies and a narrative on energy efficiency action. Where Guernsey-registered businesses are not subject to UK requirements, disclosures made under the UK Government Environmental Reporting Guidelines (March 2019) should be considered voluntary and as a matter of good Corporate Governance. This disclosure for the period 1 January 2023 – 31 December 2023 includes:

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

Energy efficiency actions

The most significant investments in energy efficiency in 2023 were made in Park Plaza Victoria London, where we replaced the air conditioning system in all guest rooms, leading to notable savings in both electricity and gas use. A boiler upgrade as part of this project is projected to yield 14% further reduction in gas consumption.

2023 has seen the rollout of the findings of a pilot 'Save While You Sleep' study conducted in one hotel in 2022 across the Group, maximising energy efficiency in offpeak hours. This has included a more structured awareness campaign for all our employees, which focusses on energy consumption and carbon emissions (through meetings with hotel staff and the ESG newsletter). This is expected to spread knowledge across the teams on the importance of curbing our energy consumption, which should lead to more responsible usage and identification of further areas of improvement.

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

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

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

Scope 3 emissions are indirect emissions associated with the products and services we purchase. Although we do not have direct control over these emissions, we are actively working with our supply chain to plan how we can lower them to work towards achieving net zero by 2040.

Out of scope emissions: all fuels with biogenic content (such as 'Diesel and petrol (average biofuel blend)') should have the 'outside of scopes' emissions reported to ensure a complete picture of an organisation's emissions is created. However, these are not required to be included in the organisation's total emissions. PPHE Hotel Group has no out of scope emissions to report.

Scope 2 emissions related to the emissions released into the atmosphere associated with the consumption of purchased electricity, heat, steam and cooling. These can be calculated using the location based or market based methods. While the former uses the average emission factor of the grid in the specific location where energy consumption takes place, the latter takes into account the specific contractual instruments companies use to purchase their energy.

The 2023 SECR tables are below.

Table 3: Summary of UK-only energy consumption and carbon emissions

Scope category	Energy consumption (kWh)	Emissions (tCO_2e)
Scope 1	26,650,126	5,058
Scope 2 (location-based)	29,577,455	6,146
Scope 2 (market-based)	29,577,455	0
Scope 3	n/a	45,682
Total	56,227,581	50,739

Table 4: Summary of Group-wide energy consumption and carbon emissions (all regions)

Scope category	Energy consumption (kWh)	Emissions (tCO_2e)
Scope 1	41,545,209	10,529
Scope 2	71,818,253	16,321*
Scope 3	n/a	62,597
Total	113,363,463	89,447

* Location based emissions.

Table 5: PPHE's carbon intensity metrics for 2022 and 2023 UK only

	2023	2022
Scope 1 and 2 emissions (tCO_2e)	**5,058**	10,2658
Revenue (£m)	**282.6**	214.8
tCO_2e/£m	**17.90**	47.80
Rooms	**1,356,891**	1,299,395
$kgCO_2e$/room	**3.7**	7.9
Occupancy rate	**83.0%**	67.2%
Occupied rooms	**1,126,037**	872,736
$kgCO_2e$/occupied room	**4.5**	11.8

Table 6: PPHE's carbon intensity metrics for 2022 and 2023 – Group-wide (all regions)

	2023	2022
Scope 1 and 2 emissions (tCO_2e)	**13,829**	21,645
Revenue (£m)	**460.2**	354.0
tCO_2e/£m	**43.5**	72.6
Rooms	**3,919,745**	3,833,253
$kgCO_2e$/room	**3.5**	5.6
Occupancy rate	**63%**	54%
Occupied rooms	**2,462,732**	2,074,379
$kgCO_2e$/occupied room	**6.0**	10.4

Intensity ratios

The intensity ratios we calculated are tonnes of CO_2e/total revenue (£m), kilogrammes of CO_2e/room, and $kgCO_2e$/occupied room. As shown in the table above, in 2023 these intensity ratios for the whole Group were 43.5 tCO_2e/£m, 3.5 $kgCO_2e$/room, and 6.0 $kgCO_2e$/occupied room. Note that the intensity ratios for the whole Group were calculated based on a weighted average of the rooms in each country. PPHE provides relevant data to third parties who use this to calculate our emissions. No formal assurance was provided.

Quantification and reporting methodology

The Group has taken guidance from the UK Government Environmental Reporting guidelines (March 2019), the GHG Reporting Protocol – Corporate Standard, and from the UK Government GHG Conversion Factors for Company Reporting document for calculating carbon emissions. Energy usage information (gas and electricity) has been obtained directly from our energy suppliers and half-hourly (HH) data, where applicable, for the HH supplies (there was no estimation profiling required). For supplies where a complete 12-month energy usage was not available, flat profile estimation techniques were used to complete the annual consumption. Transport mileage data was obtained from expense claims submitted for our company cars and grey fleet. CO_2e emissions were calculated using the appropriate emission factors from the UK Government GHG conversion information. Mileage or fuel usage of transport was not available, instead fuel expenses and forecourt prices were used.

Our Risk Environment

With risk informed leadership we continue to perform and grow against a backdrop of geo-political and macro-economic uncertainty. The actions taken in recent years to reinforce our financial and operational resilience have enabled the Group to succeed during challenging times and seize new opportunities as our risk environment changes.

Our Executive Leadership continues to monitor and respond to the impact of major global risk drivers such as ongoing geo-political tension and conflicts which can influence economic conditions, supply chains, customer behaviours and social cohesion.

We also recognise areas of emerging risk and opportunity such as the growing influence of Artificial Intelligence ("AI"). While our Executive Leadership Team embraces new technologies to improve the efficiency of our hotel management platform and the overall guest experience, the associated risks of using AI in business have been reviewed and actions taken to raise awareness of these risks across the Group.

There is greater urgency in the international response to the climate crisis, to drive radical decarbonisation of the global economy. We evaluate both the physical and transitional climate related risks as part of our current risk profile and assess the impact these threats could have on our existing principal risks as they become more probable and with a greater impact. A summary of climate related risk can be seen in our TCFD Summary page 81.

As well as monitoring these climate related threats, we see significant opportunity in improving our environmental and social impact through the delivery of our ESG Strategy (see pages 66 to 79).

The hospitality sector has seen several high-profile cyber-attacks in 2023. We partner with expert organisations to ensure we are well placed to prevent and detect malicious activity. We also continue to invest in enhancing our resilience through building our incident response and recovery capability.

In 2024 we enter an exciting period of operational growth with several new openings across the Group. This will intensify the persistent challenge of attracting and retaining team members which we will continue to tackle through proactive employee engagement and wellbeing initiatives as well as programmes to drive a diverse and inclusive culture.

Beyond these openings we are securing new capital to support the pursuit of our ambitious long-term growth plans. We are prepared for managing the risks that are inherent to any plans for accelerated growth.

⚠ art'otel London Hoxton

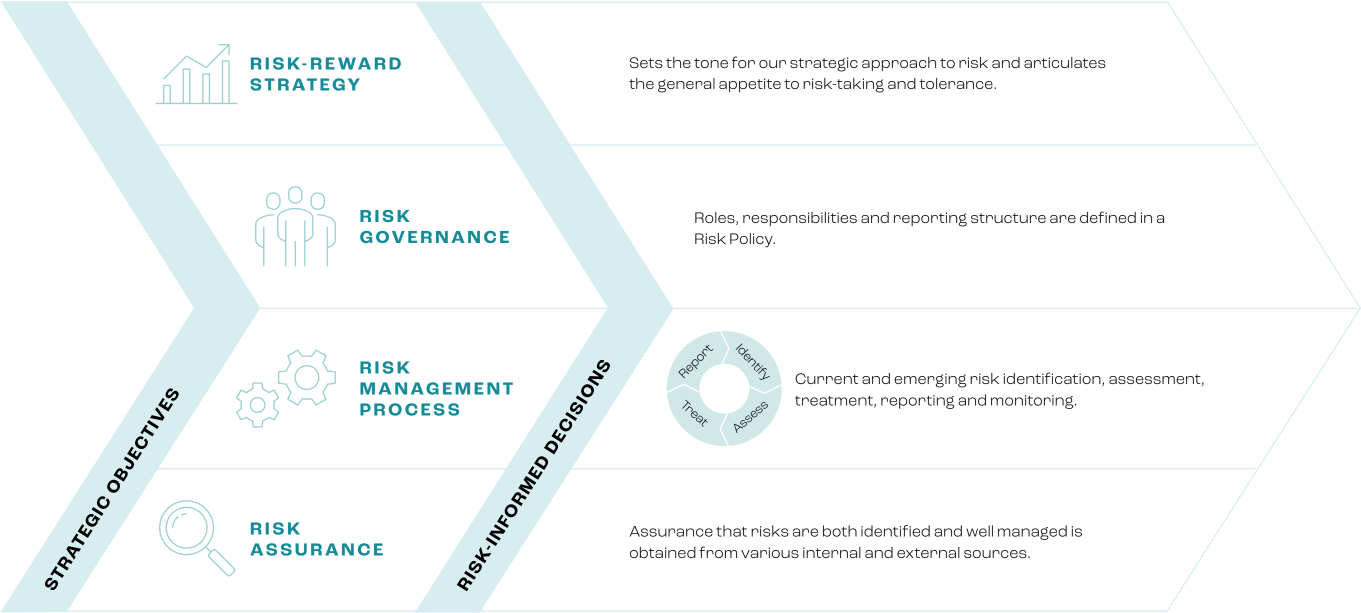
Principal risks – at a glance

We define our principal risks as those which could have the greatest impact on our business and represent the most significant threats to the achievement of our objectives in the year ahead. To be considered a principal risk the potential downside or residual impact must be assessed as 'Major' or above, equating to a negative financial impact or falling asset values greater than 5% of annual EBITDA (under normal operating conditions).

	Principal Risks for 2024	Inherent Risk Assessment	Residual Risk Assessment	Trend from previous year	Oversight responsibility	Page reference
1	Adverse economic climate	High	High	← →	CFO	Page 89
2	Significant development project delays or unforeseen cost increases	High	High	← →	CCLO and Co-CEO	Page 90
3	Difficulty in attracting, engaging and retaining a suitably skilled workforce	High	Medium	↓	Co-CEO	Page 93
4	Technology disruption – prolonged failure of core technology	High	Medium	← →	CFO	Page 91
5	Funding and liquidity risk	High	Medium	← →	CFO	Page 90
6	Cyber threat – undetected / unrestricted cyber security incidents	Very High	Medium	↓	CFO	Page 91
7	Data privacy – risk of data breach	Very High	Medium	← →	CCLO	Page 91
8	Operational disruption	High	Medium	← →	Co-CEO	Page 92
9	Negative stakeholder perception of the Group with regard to Environmental, Social and Governance (ESG) matters	High	Medium	← →	CCLO	Page 93
10	Market dynamics – significant decline in market demand	High	Medium	↓	EVP Commercial Affairs	Page 89
11	Serious threat to guest, team member or third party health, safety and security	High	Medium	← →	Co-CEO	Page 92

During 2023 the residual risk assessment for the threat of Fraud was reduced as the Group's internal control environment continued to mature. The residual risk no longer meets our definition of a principal risk for disclosure and the risk has been removed from the list above. The inherent assessment is still considered to be high, and the risk and associated controls continue to be monitored closely.

Our Risk Management Framework



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Our Risk-Reward Strategy

Our Risk-Reward Strategy, which articulates our risk appetite across various business activities, is aligned to our strategic objectives. It has been reviewed by the Board and remains unchanged. Risk appetite is cascaded throughout the Group through our policies and procedures.

Risk Appetite Levels	Definition	Business Activities	Key sources of value and strategic enablers
Active	We will **actively seek** to take calculated risks in this area in pursuit of our strategic objectives, as long as the associated benefits significantly outweigh the risk impact and the risk remains within our tolerances. We will apply appropriate safeguards when pursuing these opportunities.	• Acquisitions and development opportunities • Diversification of property portfolio	Diverse prime property portfolio
Neutral	We will **take on a limited increased exposure** to risk in pursuit of our strategic objectives if the associated benefits outweigh the risk impact and the risk remains within our tolerances. We will apply appropriate safeguards when pursuing these opportunities.	• Development projects (Construction) • Working with third parties • Funding • Technological change / development • Commercial and promotional activity	Financial strength and non-dilutive capital approach International network Multi-brand approach
Averse	We will act **to protect** the business from increased risk exposure in these areas.	• Environmental impact • Responsible and ethical sourcing • Human Rights • Operational continuity • Data privacy • Compliance • Financial and tax reporting • Financial control	Meaningful ESG impact for the benefit of all stakeholders Our people and culture In-house hospitality management platform

Our Risk Governance and Risk Management Process

GOVERNANCE

Executive Leadership – Risk Forum
- Agree the Risk Policy and Framework and formulate a risk-reward strategy (risk appetite) for proposal to the Board.
- Challenge the robustness and completeness of the full-year and half-year updates to the Group's risk registers, including key actions.
- Report PPHE's Principal Risks for Board approval and inclusion in the Annual Report.
- Ensure effective monitoring of emerging risk and progress against key risk actions.

Audit Committee
- Keep under review the effectiveness of the Group's procedures for the identification, assessment and reporting of risks, assisting the Board in monitoring the Group's risk management systems.
- Oversee internal and external assurance requirements.

ESG Committee
- Keep under review specific ESG and Climate-related risk assessment.

Board
- Ultimately responsible for risk management including approval of the Group risk profile; the Group Risk Policy & Framework; the Risk and Reward Strategy; and the statement on risk management in the Annual Report.

PROCESS

ENTERPRISE RISK ASSESSMENT
Consolidation of underlying functional and subsidiary risks into a single view of risk reported to the Board. The enterprise assessment underpins the Group's principal risk disclosure.

CURRENT RISKS
Existing threats to the achievement of our business objectives

Regular risk updates from functional management to identify, assess and respond to current risks. Key steps include:

- assessment of the severity of each risk using the Group risk assessment criteria. Consideration is given to the effectiveness of the current controls / mitigating activity;
- establishing clear actions with nominated accountability where further mitigation is required to contain or reduce risks to a more acceptable level;
- regular risk reporting to Executive Leadership to support informed decision-making and prioritisation of resources; and
- reporting the Enterprise risk profile to the Audit Committee quarterly.

EMERGING RISKS
Future threats that cannot be accurately assessed at the current time but could have a material impact on the business in the future through either heightening existing risks or becoming new stand-alone risks.

Horizon scanning for emerging risk is considered at each functional risk workshop and each Executive Level Risk Forum with a view to improving our response plans and exploit potential opportunities. Emerging risk trends are reported alongside the current enterprise risk assessment to the Audit Committee quarterly.

When identifying emerging risk, we consider several drivers of change including:

- shifts in market dynamics;
- social, geo-political, macro-economic and environmental factors;
- technological trends; and
- legal and regulatory developments.

FUNCTIONAL AND SUBSIDIARY RISK ASSESSMENTS
Management identifying, assessing and managing the risks and controls across all business functions.

Emerging risk

Our Executive Leadership Team consider emerging threats and risk drivers that could have a material impact on the business in the future, with a view to improving our response plans and exploit potential opportunities. The near-term threats may already influence our principal risk assessments and the prioritisation of our risk actions.

Emerging threats and risk drivers

Market
- Further pressures on hospitality labour markets e.g. changing immigration laws in UK
- Market demand influenced by increasing guest/consumer concern regarding environmental factors
- Growing competition in London market from increasing room supply

Social, Geo-political, Macro-economic, Environmental
- Economic pressures – Inflation, interest rate and market volatility
- Escalation of ongoing geo-political tension and conflicts
- Political change/instability
- Social inequality
- Global supply-chain disruptions e.g. attacks in the Red Sea
- Climate change crisis
- Biodiversity crisis

Technology
- Increasing influence of Artificial Intelligence on business – disruption or missed opportunities
- Evolving cyber threat – new threat vectors and increased activity from criminal and state sponsored cyber attackers
- Challenge to keep pace with a rapidly changing technology environment

Financial, Legal and Regulatory
- Acceleration of climate related regulatory change
- Rising sustainability regulations dampening property values
- Future uncertainty of cost and availability for refinancing debt

• **Imminent/Short Time Horizon** – Some Impact already seen or impact to our business could be expected within 2 years

• **Future Time Horizon** – Impact to our business could be expected beyond 2 years

Principal risks

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

Strategic Blocks	Sources of value	
1 Core, upper upscale, city centre hotels	4 Diverse prime property portfolio	7 International network
2 Leisure and outdoor hospitality	5 Multi-brand approach	8 Our people and culture
3 Hospitality management platform	6 In-house hospitality management platform	9 Financial strength and non-dilutive capital approach

Movement from last year: ↔ Unchanged ↑ Increased ↓ Reduced

MARKET AND MACROECONOMIC ENVIRONMENT

Risk Appetite: Neutral

Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
Adverse economic climate Economic stress fuelled by the volatile geo-political environment could mean a continuation of steep inflation and unstable interest rates impacting growth and profit margins. **Related strategic blocks:** 1, 2, 3 **Related sources of value:** 7, 8, 9	High ↔	Acting to protect our margins in the face of steep inflation remained a key focus throughout 2023. While inflation and interest rates are expected to stabilise, we still consider an adverse economic climate to be a significant risk to monitor and manage in the year ahead as several of the emerging threats we have identified could influence the scale and impact of this risk area. In addition to our long established controls, 2024 will see: · Close monitoring of economic and market forces · Budgetary control and frequent forecasting across all regions and property type · A drive to develop process automation for labour intensive processes, freeing resource to focus on delivering greater value to the business · Projects to drive efficiency of operational teams · Continued focus on control of food and beverage costs · Energy consumption reduction initiatives
Market dynamics – significant decline in market demand Uncertainty in future market demand could arise due to volatile macro-economic or geo-political conditions, or significant incidents which impact global travel. **Related strategic blocks:** 1, 2, 3 **Related sources of value:** 4, 5	Medium ↓	Our overall residual assessment of this risk has reduced as confidence grows due to positive booking momentum, increased occupancies and average daily rates being maintained. Demand for Meetings and Events ('M&E') also looks stronger over the medium and longer term. There will remain some uncertainty as market strength is linked to changes in the economic climate and geo-political environment. We are proactive in driving demand to our properties and responding to market movements. Our key mitigating actions include: · Fully leveraging the revenue management technologies introduced during 2023 · Focussed promotional initiatives to drive demand in advance and tactical campaigns for 'need' periods · Leveraging our partnerships and promotional opportunities with third party distribution partners and booking channels · Continuing our close collaboration with Radisson Hotel Group and leveraging their reach for promotional campaigns · Leveraging the Radisson Rewards programme which consists of 11+ million members. · Increasing our focus on digital marketing and online advertising · Delivering our planned activities across key source markets and market segments, including tradeshows, hosted events and sales missions

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FUNDING AND INVESTMENT

Risk Appetite: Neutral

Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
Funding and liquidity risk The impact of failing to proactively manage funding and liquidity risk could include a breach of debt covenants, cash restrictions, loss of stakeholder confidence and less favourable terms when refinancing in the future. **Related strategic blocks:** 1, 2 **Related sources of value:** 7, 9	Medium ↔	Against the backdrop of interest rate movements and general economic pressures, our funding and liquidity risk continues to be managed to an acceptable level due to the Group's strong trading performance, steady property valuations and fixed rates on most of our loans. We will continue to contain this risk with our established treasury monitoring and reporting controls which include: • Board approved treasury policy • Monthly forward covenant testing • Monthly treasury monitoring and reporting to the Board • Proactive and regular liaison with our lenders As highlighted in our emerging risk summary, the value of our property portfolio could be impacted over time by sustainable building regulations, unless there is sufficient investment in upgrading our assets to meet the requirements. Long-term capital expenditure plans have been developed to mitigate this threat.

DEVELOPMENT PROJECTS

Risk Appetite: Neutral

Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
Significant development project delays or unforeseen cost increases Various factors, such as supply chain disruption, labour market pressures and steep increases in cost of materials can influence the delivery of major construction projects resulting in additional cost or delays in new openings. **Related strategic blocks:** 1, 2 **Related sources of value:** 4, 7	High ↔	The delivery of major projects remains a high risk area and is subject to focused oversight from senior leadership and our in-house Technical Services team, with key controls including: • Regular project meetings with our contractors to identify and tackle any approaching issues which could impact the overall cost, targeted delivery schedule or the expected quality standards • Independent monitoring of projects by appointed third party experts Throughout 2024 we would expect this risk to reduce as major long-term developments are delivered and new openings become operational.

TECHNOLOGY AND INFORMATION SECURITY

Risk Appetite: Averse

Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
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, reputation loss and significant fines in the event of a related data breach. **Related strategic blocks:** 1, 2, 3 **Related sources of value:** 6	Medium ↓	Although we expect the inherent risk of cyber-attack to remain very high, our residual risk assessment has been reduced this year to reflect the implementation of new and enhanced security controls and the continued investment into protecting the business from this significant threat. Newly established controls in place for the year ahead and further planned progress includes: • Compliance to the official Payment Card Industry Data Security Standard (PCI DSS) • AI powered network monitoring & detecting and autonomously responding to threats • Continuous vulnerability scanning and remediation • Enhanced back-up and recovery solution, including ransomware recovery • Focused team member awareness campaigns and training programmes • Increased targeted phishing training • Enhanced filtering of malicious phishing sites • Increase in external penetration testing • Targeted risk analysis/profiling and security incident tabletop exercises
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:** 1, 2, 3 **Related sources of value:** 6, 8	Medium ↔	We remain focused on mitigating the high inherent regulatory risk associated with the processing of personal data, which is essential to the successful operations of our business. Activity planned for 2024 includes: • Implementation of a new governance, risk and compliance tool for data privacy and information security • An internal awareness campaign and updated training programmes, as part of onboarding the new tool • Review and update of documented data protection and privacy procedures • Update of data inventory • Monitoring databases containing Personally Identifiable Information, with data owners • Renewing and updating data privacy risk assessments and other documentation required under GDPR
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:** 1, 2, 3 **Related sources of value:** 6	Medium ↔	The availability and performance of our core technology is key to the success of our business operations, and we have continued with investment into strengthening our networks, implementing our DR solution, and improving connectivity. In 2024 we will continue to improve our resilience through: • Continued projects to enhance network resilience and security • Network monitoring and enhanced vulnerability scanning • Enhanced back-up and recovery solution • Targeted testing of back-up and recovery plans

SAFETY & CONTINUITY

Risk Appetite: Averse

Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
Operational disruption Major global events such as pandemic, war or environmental disasters could result in widespread disruption, impacting our guests, our supply chain, and our hotel operations. We could also experience more localised disruption to our operations from incidents at our hotels or in the immediate vicinity, for example floods, extreme weather, social unrest, or terrorism. **Related strategic blocks:** 1, 2, 3 **Related sources of value:** 6, 7, 8	**Medium** ↔	Our strength and resilience have been key to the continued success of our business in recent years. In 2024 we will continue to prepare for significant disruptive incidents through: · Regularly training team members in our established crisis plans and procedures · Review of our approach to Business Continuity Management to ensure we have prepared proportionate responses to the most significant threats which could impact the continuity of our critical services and operations · Working closely with key suppliers to identify and mitigate any potential issues which could impact the continuity of their service
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:** 1, 2, 3 **Related sources of value:** 6, 8	**Medium** ↔	In the year ahead we will continue to drive our high standards to provide a safe stay for our guests and a safe working environment for our team members. Our established controls include: · Regular risk assessments · Security and fire safety procedures · Health & Safety audit programmes · In-house and supplier food safety audit programme · Team member training programmes · Mental health and wellbeing training · Centralised incident reporting · Proactive gathering of intelligence and advice on potential security risks through regular liaison with local police and security services We will also monitor the ongoing consultation in respect of Martyn's Law but are confident that our existing procedures will meet the new requirements proposed as part of the UK's Terrorism (Protection of Premises) Bill.

PEOPLE

Risk Appetite: Averse

Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
Difficulty in attracting, engaging and retaining a suitably skilled workforce Difficulties in maintaining an engaged and suitably skilled workforce could impact our service standards, drive up operating costs, disrupt operations and impact the overall delivery of our key strategic objectives. **Related strategic blocks:** 1, 2, 3 **Related sources of value:** 6, 8	**Medium** ↓	While the successful management of this risk remains fundamental to our success, our overall residual risk assessment has reduced to Medium. Throughout 2023 we have not experienced any staffing issues that would restrict operations. Some improvement has also been noted in retention rates. 2024 presents new resourcing challenges with the opening of new hotels and we will continue to manage this risk proactively with new initiatives including: · Creation of a new Employee Experience team to develop deeper understanding of employee needs and sentiment and tasked with group initiatives on developing retention, wellbeing, and engagement · Employer value proposition development to attract candidates and drive retention · Investment in new HR technology landscape, improving people analytics · Creation of expanded Learning & Development team with focus on technical skills and management development · Internal communication strategy and use of related technologies for further employee voice enablement · Full employment policy review · Talent management and succession planning to promote intra-company mobility options Regular talent reviews and learning need analysis · Physical health and well-being initiatives and investment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Risk Appetite: Averse

Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
Negative stakeholder perception of the Group with regard to Environmental, Social and Governance matters With ESG being a key concern for our stakeholders, a perception that the Group does not apply best practice Corporate Governance principles 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. A failure to comply with the upcoming regulatory changes to governance and ESG reporting could further heighten this area of risk. **Related strategic blocks:** 1, 2, 3 **Related sources of value:** 8	**Medium** ↔	We have made considerable progress in formalising and communicating our ESG strategic approach and priorities. Our report on pages 66 to 79 details our ESG strategic objectives which are focused on the priorities of our stakeholders. Activity in 2024 will include: · Work on a series of tasks aimed at delivering against our ESG targets, which are designed to further the achievement of our published strategic objectives · The ESG Manager monitoring the adoption of the ESG targets with the assigned owners and providing regular progress reports to the ESG Committee · New ESG reporting requirements being integrated into the compliance reporting undertaken by the Head of Compliance, seeking third party support where necessary at the request of the ESG Committee

Viability statement

The recovery after COVID-19 combined with the war in Ukraine, caused inflation in all our territories to increase significantly, and utility prices to reach unprecedented levels. On the back of this high inflation, central banks worldwide have increased interest rates to levels not seen since the Global Financial Crisis. The high inflationary environment is expected to continue into 2024. The Group's loan portfolio currently has limited exposure to rising interest rates, as almost all the Group's loan portfolio has a fixed rate of interest. Furthermore the first significant refinancing of these fixed rate loans is due only from 2026 onwards. To partially hedge the exposure of these refinancing loans in 2026, the Group entered into forward starting hedges in early 2022, totalling around £190 million.

To assess the Group's viability, the Board conducted a robust assessment of the current and emerging risks facing the Group and how they could impact the strategy, performance and liquidity of the Group. The Board considered detailed cash flow projections for the next three-year period to 31 December 2026, constructed on a base case and a downside case basis.

In terms of trading, our base case last year assumed full pre-COVID-19 recovery in 2023, with EBITDA levels at or around 2019 EBITDA levels, which we have now achieved. In our base case for 2024 and onwards we have prudently assumed a 2.5% EBITDA growth. We assume this approach as prudent, given that the new openings taking place in 2024 are expected to impact the EBITDA with at least an additional £25 million from stabilised trading of these hotels (c. 20% EBITDA growth versus 2023). The downside case assumes 15% less EBITDA compared with the base case for each of the three years in the model, which could be caused by long-term declining room rates and the impact this could have on profit conversion. The estimates in both scenarios have a high degree of uncertainty, as the period of estimates extend significantly beyond the current booking lead times. The downside case will not require covenant waivers and no mandatory prepayments on loan facilities.

As discussed above, the Group is refinancing three significant loan facilities that are maturing in 2026. The first one is the outstanding facility with Barings bank (April 2026, £87.0 million), the second one is the facility with Aareal bank funding the Dutch hotels and one UK hotel (June 2026, €159.3 million and £15.6 million) and the last one is the Aareal facility in Park Plaza London Riverbank (June 2026, £100.7 million). Given the relatively low LTV levels of these loans (currently below 50%), the strong relationships the Group has with its banks and the historic track record of refinancing, the Board is confident that the outstanding loans will be rolled forward into new term facilities.

The downside scenario also should not result in cash traps under the current loan facility agreements, however should this be required, the Group's freely available cash resources in that scenario are sufficient to continue without taking restructuring measures. The Board continually monitors the three-year base case and downside case cash flow forecasts, which take into consideration different trading assumptions and the Company's long-term strategy.

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

The above considerations form the basis of the Board's assessment of the viability of the Group over a three-year period to 31 December 2026 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 2026.

Introduction to Governance

Ken Bradley
Non-Executive Deputy Chairman to the Board of Directors

"We are delighted to welcome Greg Hegarty to the Board."

Letter from the Non-Executive Deputy Chairman

The Board of PPHE Hotel Group is pleased to present the Corporate Governance report for the year ended 31 December 2023.

I wish to express my gratitude to Kevin McAuliffe, our outgoing Non-Executive Deputy Chairman, for his dedication and contribution to the Group over the years. He has been an integral and valued Board member in helping the Group grow and succeed. Following Kevin's departure we've taken measures, in accordance with our Board Succession Plan, to ensure that our regularly refreshed, independent Directors are able to bring diverse experience and oversight to help both challenge and guide our executives.

In 2023, the Group pursued the ESG Strategy announced in the 2022 Annual Report. The Strategy was created out of an assessment of stakeholder priorities, in line with the double-materiality methodology, and we recognise the importance of continuing engagement to ensure those stakeholders are brought on the journey with us. I have taken over from Kevin as the Board member responsible for workforce engagement.

We are delighted to welcome Greg Hegarty to the Board. Greg's importance to the business as its Deputy Chief Executive Officer and Chief Operating Officer speak for themselves, and we view his election at the Annual General Meeting as a positive step forward in ensuring executive management is aligned to shareholder value.

2023 was Marcia Bakker's first full year as a Board Director. Her onboarding process is laid out in the report of the Nomination Committee on page 119. Marcia's work in 2023 has been valuable in keeping our independent oversight fresh and maintaining the independence of the Board with diverse expertise and backgrounds.

This report sets out how we have complied with and applied the principles and provisions of the 2018 Corporate Governance Code (the 'Code') throughout the year. We are also looking ahead to the updated Code, and will ensure we are in compliance with the updated provisions as they come into effect.

Leadership role

The Board combines executives with proven track records and expertise in leading the business with independent oversight from individuals with diverse expertise. This allows for dynamic and entrepreneurial leadership within a framework of prudent and effective controls against risk. Our Strategy Report, Risk Management Report and TCFD Report Summary set out in more detail how we have achieved consistent success in 2023.

Every month, the Board and the Executive Leadership Team conduct calls to ensure that the Board is fully informed of, and able to have the necessary input into, performance and strategy at a detailed level. After this call, the Non-Executive Directors meet separately to scrutinise the Board and Executive Leadership Team in order to ensure that they can conduct independent oversight and analysis. By following this timetable, different perspectives are aired about the strategy, based on sounds and detailed knowledge of the strategy and the rationale behind it. This provides space for frank discussion of risks and opportunities.

Board evaluation

Every year, the Board assesses and evaluates the performance of the Board as a whole and each individual Director. There is a three-year cycle of Board evaluations, with an external review of the Board and its Committees carried out every three years. The most recent external assessment was by Independent Audit Limited in 2021. We report on the annual internal evaluations as well as progress against previous years' findings on page 109.

Board composition

Two significant changes took place in 2023: firstly, as previously mentioned, our Non-Executive Deputy Chairman stepped down from the Board after 16 years. The role of Chairman of the Board is held by Eli Papouchado, who, as a valued founder of the business, and indispensable source of expertise, experience and direction, has served in that role for a period greater than nine years. In the light of the requirements of the Code, it is necessary that some of the functions of the Chair in providing independent oversight are discharged by Directors whose independence meets the requirements of the Code. Since Kevin's departure at the Annual General Meeting, we have followed our Succession Plan, and I have taken on the role of Non-Executive Deputy Chair, ensuring independent oversight of Board activities. Nigel Keen, as Senior Independent Director, and Chair of the Remuneration Committee, has additionally assisted in ensuring independent oversight.

The second change to the Board's composition is that Greg Hegarty, who was at the time of his election to the Board was Deputy Chief Executive Officer and Chief Operating Officer. Greg was elected at the AGM by shareholders. This is a welcome addition for us, as Greg's dedication to the business and invaluable strategic leadership in his executive roles have been of vital importance for some time. It is important, therefore, that he joins the Board to ensure good Corporate Governance. In 2024, Greg also became the Co-CEO of the Group.

▽ Aerial view, art'otel London Hoxton

ESG

The Board oversees ESG within the business as part of its commitment to long-term, sustainable value generation for all stakeholders. We also have an ESG Committee of the Board to assist in ensuring that oversight of the ESG Strategy occurs regularly, and that the Board as a whole is upskilled in areas such as carbon literacy. We have received training from the hospitality industry's Zero Carbon Forum, with a further session scheduled in 2024. Having launched our ESG Strategy in the 2022 Annual Report, we have spent 2023 embedding it throughout our organisation, and we have finalised detailed targets, which provide measurable key performance indicators against each identified strategic objective to which we can be held accountable. We have sent a letter to the Science-Based Targets Initiative (SBTi) to invite them to verify our interim and long-term net zero targets. The Committee continues to review upcoming changes to reporting requirements in ESG to ensure that we are maximising stakeholder information and accountability.

Shareholder engagement

At the Annual General Meeting held on 23 May 2023, proposals to re-elect the Senior Independent Director, as well as authority to disapply pre-emption rights, were passed with less than 90% of independent shareholder approval. We have actively engaged to seek the reasons for any votes against or withheld and we believe that active dialogue with representatives of independent shareholders throughout the year has allowed us to address their concerns. In particular, within the Remuneration Report at page 139, we have sought to maximise the detail in transparency and accountability for remuneration decisions.

We are grateful for our investors' ongoing support and guidance to help us to make progress in these areas, which has helped us enter the FTSE 250.

Our successful investor roadshow programme, led by our Co-CEO, Chief Financial Officer and Executive Vice-President Commercial Affairs, continued throughout the year. Feedback received during roadshows is reported by Chief Financial Officer and Executive Director Daniel Kos to the Board for discussion at quarterly Board meetings, following which our Senior Independent Director reaches out to shareholders to continue the dialogue.

Finally, we are seeking to maximise the availability for Nigel Keen, in his capacity as Senior Independent Director, to continue to ensure shareholders feel they can bring strategic or oversight matters to the attention of the relevant Board member.

Workforce engagement

Our ESG Strategy contains multiple workforce engagement strategic objectives, including maximising retention and engagement scores (as measured by our twice-yearly Pulse Surveys). Good workforce relations are key to delivering our value proposition as a hospitality business, so we ensure that management not only uses 'Let's Talk' (the Pulse Surveys) and 'Let's Connect', (the regional town hall meetings), but other frameworks such as the Employee Forum to maintain good two-way communication.

The Board ensures it maintains strong workforce engagement by conducting site visits (see page 111). Kevin McAuliffe's role as the Board member responsible for workforce engagement has been taken up by me as the successor non-executive deputy chairman.

Ensuring that we maintain Key Performance Indicators on workforce engagement will allow all stakeholders to monitor our progress in this area.

Conclusion

Long-term, sustainable value is created under good Corporate Governance. We have worked hard this year to ensure that we have maximised the information in the public domain, as transparency is key to stakeholder confidence. By publishing our ESG targets and adding new performance measures to the Remuneration Report, I believe 2023 has been a success story in governance and oversight, and one I look forward to repeating in 2024.

Ken Bradley
Non-Executive Deputy Chairman to the Board of Directors

Statement of Compliance Companies Act 2006 s.172

As a matter of good Corporate Governance, as Directors of PPHE Hotel Group, we make this statement required as by section 172 of the UK Companies Act 2006 and the Financial Reporting Council Corporate Governance Code 2018.

Each Director of PPHE Hotel Group listed on pages 98 and 99 understands their duties, and acts in a way that, in their judgement, promotes the success of the Company for the benefit of all stakeholders, with due regard for the varying interests of different stakeholder groups. The duties of the Directors of the Company, separately and collectively, include a duty to identify and engage with identified stakeholder groups, and ensure the interests of those groups are taken into account in decision-making. Decisions shall incorporate input from identified stakeholders, and be taken with due regard and consideration for the likely impact on them.

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.

We report in detail on our stakeholder engagement activities in the following sections of this Annual Report and Accounts:

- Stakeholder Engagement (pages 62 to 65)
- ESG and TCFD (pages 66 to 83) and
- Directors' Report (pages 142 to 146)

Board of Directors

Board and committee membership

Audit Committee
ESG Committee
Nomination Committee
Remuneration Committee
C Chair

Eli Papouchado

Non-Executive Chairman

As Founder Eli has been Chairman of the Group since its formation. He has a wealth of experience spanning decades in the construction, design, development, financing, acquisition and management of hotels.

Eli has been a major contributor to growth and successful delivery of over £1 billion in hotel assets.

External appointments: N/A

Board Committees: N/A

Independent: No

Year of first appointment: 2007

Yoav Papouchado

Alternate Director to Non-Executive Chairman

Yoav Papouchado, Chairman of Red Sea Hotels Limited ('Red Sea'), PPHE's controlling shareholder, has over 30 years of experience of real estate developments and data centres worldwide, developed through his long tenure at Red Sea. Yoav is also a member of the Supervisory Board, and Deputy Chairman of the Supervisory Board of Arena Hospitality Group, the Company's subsidiary listed on the Zagreb Stock Exchange.

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

Board Committees: N/A

Independent: No

Year of first appointment: 2020

Boris Ivesha

President & Chief Executive Officer

Boris has been President of the Group since 1991. He 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 over the years.

Boris has over 50 years of experience in the hotel industry.

Boris 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

Greg Hegarty

Co-CEO*

Greg was appointed to the Board, with shareholders confirming his appointment, at the 2023 Annual General Meeting. On 8 February 2024, Greg became Co-CEO.

Greg has spent a long career in hospitality, holding a Master's Degree in Business Administration (MBA). He has worked in senior management in several global hospitality brands such as GLH Hotels and BDL Hotels. As well as being a Fellow of the Institute of Hospitality and a Master Innholder, Greg has achieved the following awards:

Acorn Award: 2004
Esprit General Manager of the Year: 2005.

External appointments: N/A

Board Committees: N/A

Independent: No

Year of first appointment: 2023

* On 8 February 2024, Greg became Co-CEO. His title prior to that date was Deputy Chief Executive Officer and Chief Operating Officer.

Daniel Kos

Chief Financial Officer & Executive Director

Daniel has worked with the Group for over ten years of which the last five years have been as Chief Financial Officer and Executive Director.

As Chief Financial Officer, Daniel is responsible for the Group's finance, IT and procurement strategy. Daniel has over 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.

Daniel 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

Ken Bradley

Non-Executive Deputy Chairman

Committee membership

C C

Ken joined the board as a Non-Executive Director on 4 September 2019. He spent over 20 years with the Royal Bank of Scotland Group in a range of management roles with a focus on corporate and institutional banking and risk. Ken's last position at Royal Bank of Scotland Group involved him overseeing the whole Guernsey arm of the business. In 2009 Ken moved to Barclays Wealth where he spent eight years leading their banking and trust business in Guernsey and had wider fiduciary banking responsibilities in other locations. Ken also has an MBA from Warwick Business School and has completed the Institute of Directors certificate and diploma in Company Direction.

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

Nigel Keen

Non-Executive Director & Senior Independent Director

Committee membership

C

Nigel joined the board as a Non-Executive Director on 20 February 2020. He is a qualified Chartered Surveyor, with over 35 years of property expertise from site acquisition through to asset management. Nigel headed-up the property teams at Tesco where he became Construction Director, and The John Lewis Partnership, where he was Property Director, and served on the Waitrose Board.

Nigel is a Non-Executive Director of the construction company RG Carter. Nigel chairs the Audit Committee. He is also Deputy Chairman at the Maudsley Mental Health Charity.

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

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

Independent: Yes

Year of first appointment: 2018

Stephanie Coxon

Non-Executive Director

Committee membership

C

Stephanie joined the board as a Non-Executive Director on 7 August 2020. She is a qualified chartered accountant, with over 15 years of capital market expertise. Stephanie was a capital markets director at PwC where her role included advising asset managers on listing investment funds and real estate investment trusts (UK, Guernsey and Jersey) on the London Stock Exchange. She also advised on ongoing obligations, Corporate Governance, accounting policies and reporting processes.

External appointments: Non-Executive Director on: Apax Global Alpha Limited, JLEN Environmental Assets Group Limited, International Public Partnerships Limited.

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

Independent: Yes

Year of first appointment: 2020

Marcia Bakker

Non-Executive Director

Committee membership

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

External appointments: Former member of the Board of ISVW (Internationale School van de Wijsbegeerte) until November 2023.

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

Independent: Yes

Year of first appointment: 2022

Kevin McAuliffe

Non-Executive Deputy Chairman

(until 23 May 2023)

Committee membership

C

Kevin served for 16 years on the Board of PPHE Hotel Group, and retired at our Annual General Meeting in May this year. He 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. Kevin 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

Executive Leadership Team

The Co-CEO chairs a monthly meeting of our Executive Leadership Team.

The Executive Leadership Team is composed of the Executive Vice-Presidents of the Company, and manages day-to-day operations of the Group's businesses, under the supervision of the Board. The Board maintains a schedule of matters reserved to the Board, and sets the financial parameters of the Executive Leadership Team's activities.

Executive Leadership Team remit:

- Recommendations to the Board for strategic priorities, and formulation of forward-looking strategy.
- Design, construction and maintenance of our portfolio of properties.
- Performance management through KPIs, strategic objectives and budget.
- Health, safety and security.
- Customer engagement, product development and brand standards.
- Asset management and capital investment (within parameters set by the Board).
- Procurement and cost efficiency.
- ESG.
- Reputation and stakeholder management.
- Risk management.
- People, culture and values.
- Talent and succession.
- Information technology and cyber.

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President & Chief Executive Officer

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Daniel is a certified public accountant with significant international experience across many different industries.

Inbar Zilberman

Chief Corporate & Legal Officer

Inbar is a key member of the Executive Leadership Team and PPHE's C-Suite and she joined PPHE Hotel Group in 2010. Inbar leads and manages the Group's corporate initiatives and corporate expansion as well as multi-jurisdictional legal, corporate finance, M&A, Corporate Governance, insurance and compliance, and ESG functions.

Inbar brings an expertise in negotiations and deal execution and heads the Group's business development and expansion team, exploring, identifying and negotiating new projects in the Group's regions of operation, from deal structuring, acquisition, financing and planning/construction set up.

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

Robert Henke

Executive Vice President Commercial Affairs

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

He has more than 20 years' experience in international hospitality and first joined the Group in 2001, when he was involved in the opening of the Group's hotels in the United Kingdom and the successful implementation of Radisson Hotel Group's marketing programmes and systems.

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

Robert has lived and worked in Aruba, Los Angeles and London, and is based at the Group's head office in Amsterdam. Prior to joining PPHE Hotel Group, he held international Marketing positions at Golden Tulip Worldwide and Hilton Hotels Corporation. He holds a Bachelor Degree in Hotel Management Business Administration from Hotelschool The Hague, with a major in marketing.

Daniel Pedreschi

Regional Vice President Operations, The UK

Daniel is the Regional Vice President Operations, The United Kingdom for PPHE Hotel Group and oversees all UK hotels, restaurants and bars in collaboration with each individual General Manager, as well as focusing on new properties 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 next to his existing responsibilities.

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

Michelle Wells

Regional Vice President Operations, The Netherlands

Michelle has held a number of management positions at PPHE Hotel Group over a period of 12 years, originally joining as General Manager, Park Plaza Sherlock Holmes London in 2007. Michelle moved to the role of General Manager of sister hotel Park Plaza County Hall London in 2014 and then onto Park Plaza London Victoria in 2016.

Promoted to the newly created role of Vice President Operations the Netherlands in 2019, Michelle oversees all operational, revenue, finance, marketing and sales strategic objectives for the region on behalf of six properties.

Michelle brings a strong operational and commercial background to the business and educational qualifications including the highly acclaimed completion of the General Manager Programme in strategic management at Cornell University in the United States, as well as being a Master Innholder and a holder of the Freedom of the City of London.

Jamie Kerr

Executive Vice President Restaurant & Bars

Jamie joined the Group in 2022 as Executive Vice President of Restaurants & Bars. Jamie has an extensive track record in hospitality operations, having most recently opened Mama Shelter Shoreditch (London) as General Manager. Previously, he held General Manager roles with Soho House Group, and entertainment sales roles with Firmdale Hotels, along with running restaurants with notable chefs such as Gordon Ramsay and Mark Hix.

Jamie oversees the division's outputs and development, which includes the established and successful TOZI Restaurant & Bar, Chino Latino and ARCA brands, and the introduction of JOIA – the flagship restaurant, bar and rooftop at art'otel London Battersea Power Station. Jamie also leads and develops the new concepts going into art'otel London Hoxton.

Board responsibilities

Strategy and management
- Define and set the Company's strategy for creating value for all stakeholders, including society as a whole, through sustainable success over the long term
- Monitor and review performance against strategic objectives
- Oversee resourcing, ensuring the tools are available for management and the Group as a whole to meet the Group's objectives and measure performance against them

Structure and capital
- Determine the corporate structure of the Group
- Set the management and control framework
- Determine rules and procedures for dealing in the Company's securities
- Structure and governance of subsidiaries

Financial reporting and controls
- Approve financial and management reports
- Control of dividend policy and implementation
- Capital and operating budget management
- Major capital project oversight

Risk management and internal controls
- Review effectiveness of risk and control processes
- Set the Group's risk appetite
- Report on risk management (see page 84)
- Oversee and review internal reporting channels, including whistleblowing reports

Environmental, Social and Governance
- Set targets for carbon reduction and other environmental KPIs
- Aim for carbon net zero
- Oversee ESG Strategy delivery (see pages 66 and 129)

Society and workforce culture:
- Promote a guest-focused culture in line with the strategy, valuing integrity, transparency and respect
- Embed a culture that rewards personal and team performance aligned to our strategic and financial objectives to maintain and attract top talent
- Ensure sustainable value-creation for shareholders and for society as a whole

Business ethics:
- Control and prevention of corporate offences
- Effective management of data protection and privacy
- Conflict of interest management
- Maintain policies for good governance and ethical dealing
- Compliance with Financial Reporting Council's Corporate Governance Code 2018
- Ensure that workforce policies and practices are both ethical and consistent with the Company's values and long-term objectives, management is capable and effective and sound planning is in place

Stakeholder engagement
- Build and maintain successful relationships with a wide range of stakeholders, created on trust, transparency and mutual respect
- Understand what matters to key stakeholders
- Ensure the Board engages with stakeholders directly
- Oversee executive engagement with stakeholders

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

Division of responsibilities

The Financial Reporting Council's Corporate Governance Code 2018 (the Code) requires a clear separation of powers and responsibilities between the members of the Board. As the Chair of the PPHE Hotel Group Board does not meet the requirements of Provision 9 of the Code, this table demonstrates how the Board ensures that its independence and objectivity is maintained through the work of the Senior Independent Director and other non-executive members. The role of each member of the Board carries separate duties and accountabilities, and collectively they ensure effective communication with stakeholders .

Chief Executive Officer

Boris Ivesha

Role

It is the duty of the CEO to conduct day-to-day management of the Group and the implementation of theBoard's strategy and policy on the Board's behalf. The CEO provides the executive leadership the business needs.

The CEO is assisted by the C-Suite, comprising the Co-CEO, the Chief Financial Officer and the Chief Corporate & Legal Officer. Additionally, the Executive Leadership Team (see pages 100 and 101) supports this role, and is accountable to it.

Responsibilities

- Effective management
- Strategic implementation in line with the culture, values and purpose of the business
- Accountability to Chairman for achieving key objectives
- Reporting on strategic development
- Oversight of Executive Leadership Team
- Talent development
- Performance management of Executive Leadership Team
- Resource management for Executive Leadership Team

Senior Independent Director

Nigel Keen

Role

It is the duty of the Senior Independent Director to lead the Non-Executive Directors in their oversight and scrutiny roles, and provide support and encouragement to them. He must also provide a sounding board for the Chairman and serve as an intermediary for the other Directors and shareholders.

Responsibilities

- Shareholder engagement, including providing a channel for shareholder feedback on executives and governance issues in the Company
- Support of the Chairman in delivering strategic leadership of the Board
- Evaluating the effectiveness of the Chairman on behalf of the other Directors
- Support annual Board evaluation
- Challenging the Board where relevant to help in developing proposals on strategy and objectives
- As Chair of the Remuneration Committee ensures, with the Deputy Chairman and the members of the Remuneration Committee, that there is a clear relationship between remuneration and performance, measured with clear reference to the long-term success of the Company

Non-Executive Chair

Eli Papouchado

Role

As founder of the business, the Chair is responsible for its long-term, sustainable health, leadership and strategic direction through oversight and scrutiny. The Chair also has the duty of setting the Board's agenda, and ensuring the Board is effective in its role.

Responsibilities

- Strategic leadership of the Board
- Setting the agenda
- Determining strategic priorities
- Setting key objectives
- Establishing and maintaining the Company's purpose, values and culture
- Promoting a culture of openness and debate in Board meetings
- Ensure Directors are adequately resourced to discharge their duties
- Ensure Directors have access to clear, timely and prompt information for key decision-making
- Stakeholder engagement, including communicating and championing the views of stakeholders to the Board Monitoring progress against strategic priorities
- Regular contact with the Executive Leadership Team and relevant function heads to ensure that the Board is properly informed for oversight purposes, and the Executive Leadership Team is properly resourced to discharge their duties

Non-Executive Deputy Chair

Ken Bradley

Role

As Chair of the ESG and Nomination Committees, Mr. Bradley has overseen the transition and succession arrangements following the retirement of the outgoing Non-Executive Deputy Chair, Kevin McAuliffe. He has also taken on some aspects of this role, with a view to ensuring continuity of oversight and independence required by Provision 9 of the Code.

As Chair of the ESG Committee, he is responsible for ensuring the appropriate governance structure and functioning of the Board, as well as conducting the annual Board effectiveness evaluation.

Responsibilities

- Oversees Corporate Governance for the Board and ensures appropriate and tailored standards are in force to comply with the Code
- As Chair of the Nomination Committee, monitoring the induction programme in place for new Non-Executive Directors
- Supporting the Chairman in ensuring the Directors are receiving and have access to clear and timely information as needed to make key decisions
- Oversees annual Board and Committee evaluations and puts in place a plan to act on the results of the evaluation
- Consulting with Remuneration Committee about executive remuneration
- Acting as designated Non-Executive Director for workforce engagement

Statement of Compliance

For the year ended 31 December 2023, 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
- www.handbook.fca.org.uk, for the FCA's Disclosure Guidance and Transparency Rules sourcebook as well as Listing Rules.

Corporate Governance

At 31 December 2023, the Board was composed of eight Directors (with an alternate for the Chairman). Three Directors are Executive Directors, and five are Non-Executive Directors (including the Chairman). The Executive Directors are: the President and Chief Executive Officer, Boris Ivesha; the Co-CEO, Greg Hegarty; and the Chief Financial Officer, Daniel Kos. The Chairman, Eli Papouchado, is not considered independent, as he is a Red Sea Party (please see page 144 for a definition of Red Sea Party in the Directors' Report as required by the Disclosure and Transparency Rules). All Board members are subject to annual re-election by shareholders at the Annual General Meeting.

Appointment of a new Director

Greg Hegarty was appointed to the Board and was elected by shareholders as a Director at the 2023 Annual General Meeting. Greg's appointment was in line with the succession planning programme maintained by the Nomination Committee of the Board, and was permitted following the appointment of Marcia Bakker as Non-Executive Director in 2022, as this ensured the correct balance of Executive and Non-Executive Directors. Greg's expertise and dynamic management have been of vital importance to the business, and the Board believed that it required an executive of his calibre and importance to the success of the business to be a member. Greg's appointment was subject to the formal requirements of the succession plan as reported on by the Chair of the Nomination Committee on page 118. He brings vital knowledge, experience and skills to the Board, and his appointment is timely to ensure a regular refresh of personnel.

Balance of independent Non-Executive Directors

The Code requires that at least half of the Board, excluding the Chair, be made up of independent Non-Executive Directors, and that no one individual or group should be allowed to dominate decision-making.

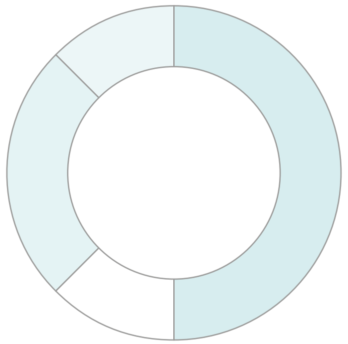
After due consideration was given to all factors that are likely to impair, or appear to impair, the independent judgement of each Director, the Board concluded the following:

There are four independent Non-Executive Directors: Ken Bradley, Nigel Keen, Stephanie Coxon and Marcia Bakker.

Kevin McAuliffe, who retired from the Board in May 2023, was not independent within the meaning of the Code because of his tenure.

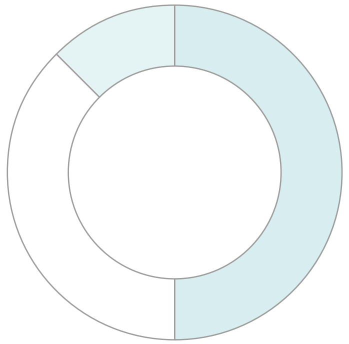
The Alternate Director and Executive Board members are not independent, including the new appointment in 2023, Greg Hegarty.

Directors of the Company
(1 January 2023 – 23 May 2023)



- Independent Non-Executive Directors **4**
- Non-Executive Directors (non-independent) **1**
- Executive Directors (non-independent) **2**
- Chair or Alternative Director (non-independent) **1**

Directors of the Company
(23 May 2023 – 31 December 2023)



- Independent Non-Executive Directors **4**
- Executive Directors (non-independent) **3**
- Chair or Alternate Directors (non-independent) **1**

Board activities in 2023

Strategy, operational performance and risks

- Regularly received operational updates from the Executive Leadership Team
- Regularly reviewed potential growth and development
- Launched our European Hospitality Real Estate Fund with joint venture partners Clal insurance to encourage other investors to provide capital for pipeline projects
- Regularly reviewed principal risks
- Regularly reviewed the results of, and evaluated the performance of, the internal audit
- Reviewed the results of, and evaluated the performance of, the external audit

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 compliance with banking facilities

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)

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 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
- Responded to investors collectively in announcements following votes at the Annual General Meeting, and individually in exchange of correspondence

Board policies and matters reserved to the Board

Our Board reserves to itself governance of the Company in line with statutory obligations and fiduciary duties. In particular, the Board maintains a number of powers (Reserved Powers) which are not delegated to Committees of the Board or to the executive management team. These include:

- 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

Transparency and accountability is maintained by processes and procedures set out in documents reserved to the Board including:

- Articles of Incorporation
- Schedules of Matters Reserved for the Board
- Board Committee terms of reference

Each Director may obtain independent professional advice at the Company's expense in the furtherance of their duties as a Director. The Board and the Committees of the Board have access to legal support from the Chief Corporate & Legal Officer, external law firms, and other specialist consultancies, such as remuneration consultants and recruitment specialists. Where recruitment consultants have advised on executive remuneration, or recruitment specialists on Board appointments, these are identified as appropriate. No such recruitment specialists were required in 2023.

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

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.

Exercising oversight and ensuring adequate time to carry out duties

The annual timetable for Board meetings and meetings of the Board Committees allows for ample time to discuss and debate matters. There is a timetable set for the submission of papers prior to meeting so that Directors have ample time to familiarise themselves with the agenda, and prepare for the meetings. The agenda is set by the Chair so that there is ample time for discussion and debate, and all Directors are expected to contribute in all meetings to ensure proper oversight and diversity of perspectives and opinions. Non-Executive Directors are required to demonstrate that they have sufficient time to fulfil their duties, and are accountable to the Chair and Senior Independent Director for this. The Chair of the Nomination Committee monitors external appointments for all Board members to ensure sufficient capacity.

Oversight requires all Board and Committee members to ensure they have considered (and where relevant and lawful), solicited the views of relevant stakeholders regarding the issues to be discussed at meetings.

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.

Chief Corporate & Legal Officer and Company Secretarial Support

The Chief Corporate & Legal Officer and the Company Secretary, Suntera Global (formerly Carey Commercial Limited*), provide important support functions to the Board and its members. As a member of the C-Suite, the Chief Corporate & Legal Officer is required to ensure that internal governance arrangements below Board level for the workforce are aligned to the directions of the Board and the risk appetite of the Company as determined by the Board.

Responsibilities of the Chief Corporate & Legal Officer to the Board	Responsibilities of Company Secretary to the Board (Suntera Global)*
· Ensures compliance with the Financial Conduct Authority's Listing Rules (LR) and Disclosure Guidance and Transparency Rules (DTR)	· Provides compliance support with respect to The Companies (Guernsey) Law, 2008 (as amended or replaced from time to time)
· Responsible for information flow to the Board (via the Company Secretary)	· Maintains the Board and Committee meetings diary and agendas
· Advises and supports the Chair and Board on all governance matters	· Ensures the Board receives accurate, timely and clear information prior to meetings
· Ensures all Directors have access to the advice and services of internal lawyers and external, independent professional legal advice at the Company's expense in furtherance of their duties	· Ensures that prior to Board meetings, Directors receive all necessary information to facilitate open, constructive discussion and debate
· Oversees and advises the Board on the Company's Corporate Governance practices, policies and procedures with respect to statutory and other Corporate Governance frameworks	· Ensures the Board is adequately resourced for effective and efficient function (alongside Chief Corporate & Legal Officer)
· Ensures the Board is adequately resourced for effective and efficient function	
· Supports the ESG Committee of the Board in the formulation and execution of the Group's ESG Strategy	

* Carey Commercial Limited announced it had become part of Suntera Global on 16 May 2023.

Board evaluation

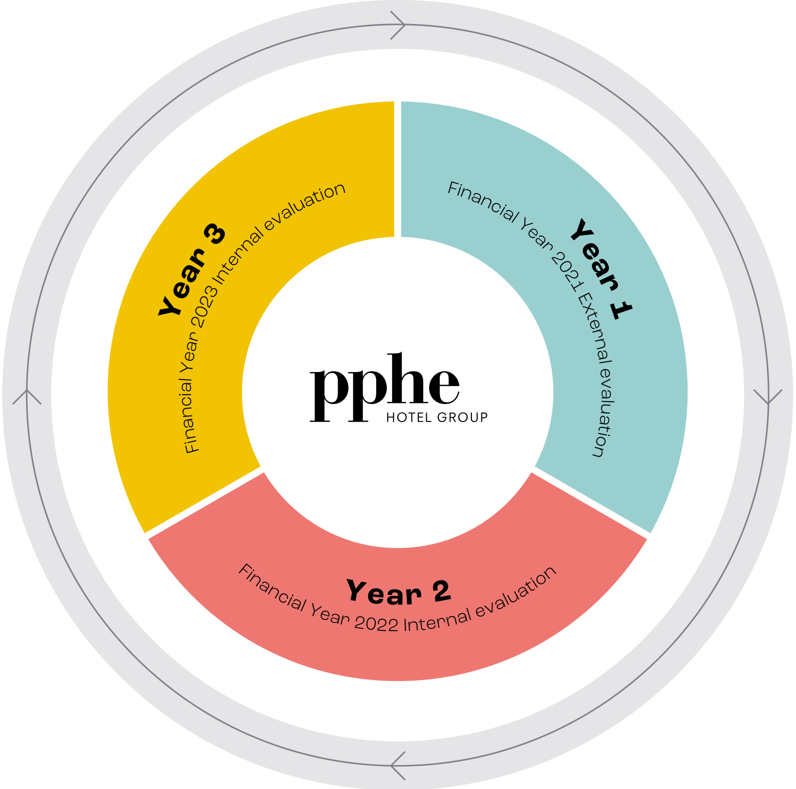
The Board evaluates its performance and the effectiveness of Board Directors and Board Committees on an annual basis. Every three years, this annual evaluation is conducted by an external evaluator. In 2021, this external evaluation was conducted by Independent Audit Limited. This company has no connection with the Board or members of the Executive Leadership Team. In 2022, the internal evaluation was conducted by the Non-Executive Deputy Chairman. In 2023, the Chair of the ESG Committee and Nomination Committee conducted the internal evaluation.

The purpose of the evaluation is to establish the effectiveness of the Board, the Directors and the Committees of the Board in discharging the functions required of them by law, by good Corporate Governance practice and by the internal frameworks of the Company. It includes consideration of the tenure of each Director, and their skills, experience and length of service. It also includes an assessment of each Director's external responsibilities to ensure that they are able to commit sufficient time to discharge their duties effectively.

The evaluation covered the full scope of the Board and each Committee's work, providing recommendations, suggestions and an overall assessment of effectiveness. A summary is included in the table below.

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. Annual review of governance documents is a requirement of best practice.



2023 Board Evaluation Summary (with updates on 2022 outcomes)

2023 identified focus area	2023 outcome
(1) Objectives, Strategy & Remit	· Information flow is good, and improving · Strategy away day well-received and recommended for 2024 · Engagement on 'Project Elevate including NED engagement was very useful
(2) Performance Measurement & Management	· High standard of financial information provided · Open culture noted and improving · High levels of interaction and trust · Requests for clarification and further information received promptly
(3) Relations with Executive Management & Boardroom	· Strong and improving relationships · NED meeting following up on Board's monthly call with management could be more structured · Oversight of HR changes – talent management and succession planning is an identified priority for 2024, building on new appointment
(4) Risk Management	· Progress in this area noted in 2023 · Increase in resources for Internal Audit and Risk function viewed as performing well · Strong embedding of risk management culture led by executive

Update on 2022 priority areas and 2023 outcomes

Committees	Priorities identified in 2022 Annual Report	Update
Audit Committee	• Evaluating the potential impact of the Department for Business, Energy and Industrial Strategy (BEIS) consultation document on audit and Corporate Governance reform • Continue to oversee the assurance plan over financial internal controls and work with the Head of Internal Audit and Risk to develop assurance plan for non-financial internal controls	• See Audit Committee Report on page 122 • The Audit Committee reviewed its own approach to Corporate Governance FRC Audit committees and the External Audit: Minimum Standard • Non-financial controls overseen, with a focus on ESG
Remuneration Committee	• Review of Remuneration Policy	• A review of Directors' fees and structure to ensure best practice and maximum transparency and accountability
Nomination Committee	• Succession planning • Completion of the Board induction programme for Marcia Bakker, including UK and Arena Hospitality Group site visits	• See Nomination Committee Report on page 115 • Induction for Marcia Bakker completed • Succession plan for Non-Executive Deputy Chairman implemented
ESG Committee	• Oversight of ESG Strategy implementation and progress reporting, including on progress towards net zero target	• See ESG Report on page 129 • Strategic targets implemented • Data collection for baseline to set additional targets for water and waste implemented • Net zero commitment letter sent to SBTi • Board evaluation felt strong leadership required to embed targets in the business

Board meetings – Establishing and promoting a culture of debate and diversity

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

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

Communication between the Board and the Executive Leadership Team

Management, including the Executive Leadership Team, reports to the Chief Executive, whom the Board has made responsible for oversight and performance management. The Chief Executive reports to the Board on this.

The Executive Leadership Team had monthly business update calls with the Non-Executive Directors in 2023. Further, the Non-Executive Directors conduct sub-meetings following the business update calls without others in attendance to ensure good oversight, and have established a permanent forum to ensure that information-flows and transparency were well-maintained. This enables the Board to effectively carry out its duties and make swift decisions. Open communication between the Non-Executive Directors and Executive Leadership Team has been found to be very effective as it allows the Non-Executive Directors to engage directly to ensure that management takes corrective actions in a timely manner.

Culture and values

The Board sets the culture and values of the business, and works to engage with all stakeholders to communicate and promote the culture and values. This requires the Board to review annually policies which maintain the culture and values and facilitate the business ethics of the Company. Policies set out the behaviours required of people working within our Board, management and operations, and aim to empower people by providing them a framework and guidance. When reviewing policies, the Board takes account of developments in the law, in stakeholder expectation, and best practice to ensure a strong framework optimised to the specific needs of the business.

Through the ESG Committee, the Board has committed to rigorous targets in environmental and social performance. These are set out in detail in the ESG section and in the report of the ESG Committee. Important ESG Policies remain reserved to the Board, such as the Conflicts of Interest Policy, the Significant and Related Parties Transactions Policy, and the Whistleblowing Policy. These are reviewed and refreshed annually.

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.

Board meetings: Procedures

Notices	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.
Review of any conflicts arising	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. Directors must also disclose their shareholdings and any changes to those that have occurred.
Standing agenda items	(1) Strategy (2) Management updates from: • Executive Directors • Executive Leadership Team (3) Updates on Corporate Governance by Non-Executive Deputy Chairman (supported by the Chief Corporate & Legal Officer)
Non-members in regular attendance	Chief Corporate & Legal Officer
Board succession planning	Regular Executive Leadership Team attendance of Board meetings is part of our succession plan (talent development).

Workforce engagement

Kevin McAuliffe, whilst in the role of Non-Executive Deputy Chairman had the responsibility of acting as the Board member with responsibility for workforce engagement under the terms set out in Provision 5 of the Code. Following his retirement, this responsibility has been transferred under the terms of our succession plan to Ken Bradley, the new Non-Executive Deputy Chairman.

Our team members' loyalty and dedication is vital to the long-term, sustainable success of the business. They understand our passion to create the best possible experiences for our guests. This is reflected in the ESG targets to further workforce engagement and employee development in order to attract and retain talent at all levels.

Board site visits

In 2023 we visited several of the London hotels including the newly opened art'otel London Battersea Power Station, the development site in Hoxton and Victoria including the subterranean space which was subsequently granted planning permission.

Pulse Surveys

Some team members prefer to offer their feedback anonymously, rather than face-to-face. Let's Talk, our Pulse Surveys, allow us to monitor employee engagement and other important matters, such as employee awareness of ESG.

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.

Board and Committee meetings

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:

- Audit Committee
- Nomination Committee
- Remuneration Committee

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

- ESG Committee

Our Board

Strategy. Purpose. Culture. Communications.

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

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

Nomination Committee

Develops. Plans. Evaluates. Nominates.

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

Report available on page 115

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 page 122

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

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

Remuneration Committee

Values. Culture. Talent proposition.

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

Report available on page 131

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

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

ESG Committee

Future plans. Safeguards. Sustains.

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

Report available on page 129

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
- Liaising with ESG specialists/ consultants
- Oversight of ESG Strategy including carbon net zero through KPIs

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

Board and Committee membership

	Audit Committee	ESG Committee	Nomination Committee	Remuneration Committee	
Eli Papouchado					
Yoav Papouchado					Alternate Director
Boris Ivesha					
Daniel Kos					
Greg Hegarty					
Kevin McAuliffe			●		Retired May 2023
Ken Bradley	●	C	C	●	
Nigel Keen	●		●	C	
Stephanie Coxon	C	●	●	●	
Marcia Bakker	●	●	●	●	

ESG Committee · Audit Committee · Nomination Committee · Remuneration Committee · C Chair

Board and Committee meeting calendar 2023

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

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

Strategic report · Corporate governance · Financial statements · Appendices

Board and Committee meeting attendance 2023

Name	Quarterly Board Meetings	Audit Committee Meetings	ESG Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Ad-hoc Board Meetings	Committee Meetings
Eli Papouchado	1/4	N/A	N/A	N/A	N/A	1/3	N/A
Yoav Papouchado	2 (as alt)	N/A	N/A	N/A	N/A	2 (as alt)	N/A
Boris Ivesha	4/4	N/A	N/A	N/A	N/A	2/3	2/3
Daniel Kos	4/4	N/A	N/A	N/A	N/A	3/3	3/3
Greg Hegarty	2/2	N/A	N/A	N/A	N/A	1/1	N/A
Kevin McAuliffe	2/2	N/A	N/A	2/2	N/A	2/2	1/1
Ken Bradley	4/4	6/6	4/4	5/5	4/4	3/3	5/5
Nigel Keen	4/4	6/6	N/A	5/5	4/4	3/3	N/A
Stephanie Coxon	4/4	6/6	4/4	4/5	4/4	2/3	3/3
Marcia Bakker	4/4	6/6	4/4	5/5	4/4	3/3	N/A

Nomination Committee Report

Ken Bradley
Chair of the Nomination Committee

Membership of the Nomination Committee and meeting attendance

Name of Director	Meetings attended and eligible to attend
Ken Bradley (Chair)	5/5
Stephanie Coxon	4/5
Kevin McAuliffe	2/2
Nigel Keen	5/5
Marcia Bakker	5/5

Dear Stakeholder

I am pleased to present my first report to you as Non-Executive Deputy Chair of the Group, as well as the head of its Nomination Committee.

I would like to thank Kevin McAuliffe for his long service and legacy. Kevin's succession was conducted in line with the succession planning maintained by the Committee. Chairing the ESG Committee (see report on page 129), I have sought to ensure that talent development and future leadership are included in our ESG targets, which ensures a diverse leadership into the future in line with the culture and values of the business.

Succession planning

The responsibilities demanded of a company's Chair and also the Deputy Chair require that they hold the executives to account and provide strong leadership for independent Directors to oversee, question, and ultimately provide shareholder confidence in the long-term sustainability of the business model. I am pleased to support Eli Papouchado in these duties.

Our roadmap towards meeting diversity targets is a combination between our talent development and internal pipeline for Board appointments, and our process for appointment of external Directors where appropriate.

Board composition

We aspire for the Board to be regularly refreshed to ensure diversity and independence. All Board Directors are subject to annual election or re-election by shareholders, which takes place at the Annual General Meeting ('AGM'). Our Non-Executive Directors are independent from the business, and regularly refreshed to ensure diversity and independent challenge to the team. Our Executive Directors are responsible for the day-to-day running of the business. In 2023, as part of long-term succession planning, we announced the appointment of Greg Hegarty, the Co-CEO to the Board, with his election at the 2023 AGM.

Alongside the Board induction provided to Greg, we have continued with the induction programme for our most recently appointed Non-Executive Director, Marcia Bakker (see page 119).

Looking ahead

The culture and values of the organisation depend on the right individuals occupying key positions and delivering long-term sustainable value to stakeholders. The Nomination Committee's task is to ensure that the best possible leadership is in place to manage the business and meet challenges on the horizon. Post balance sheet, we announced Greg Hegarty's appointment as Co-CEO.

I am confident that the changes we have made in 2023 deliver strong, confidence-inspiring leadership, in line with stakeholder feedback and requirements, and I am very happy to present this Nomination Committee Report.

Ken Bradley
Chair of the Nomination Committee

Nomination Committee evaluation

As at 31 December 2023, the Nomination Committee was composed of four, independent, Non-Executive Directors. Between 1 January 2023 and 23 May 2023, it comprised those individuals, as well as the (non-independent) Non-Executive Deputy Chair, Kevin McAuliffe. Each Director is individually, and the Board is collectively, subject to an annual evaluation. This evaluation considers the independence of each Director. No member of the Nomination Committee is considered to have a personal financial interest in matters to be decided by the Committee. All Non-Executive Directors with the exception of the Chair and the outgoing Non-Executive Deputy Chairman were appointed after 2018. We consider this an important element of ensuring that we respect the Corporate Governance Code provisions relating to tenure and regular refreshing of the Board. The Chair and our Executive Directors represent the voice of experience in consistent delivery of value to stakeholders. Our Non-Executive Directors are independent from the business, and regularly refreshed to ensure diversity and independent challenge to the team.

Board succession planning

Board succession planning is an ongoing process to ensure that the plan can be implemented for changes to the Board that occur without notice as well as those foreseen well in advance. Given the changes to the composition of the Board that took place in late 2022 and throughout 2023, it has been necessary to revise the succession plan accordingly. We work to maintain and develop a pipeline of suitable internal candidates, who can therefore be prepared to take on the responsibilities of Board-level leadership. We also keep prepared plans for external appointments in the event that these should be necessary and/or desirable. Relevant considerations include:

- Tenure of existing Board members with a view to preserving the independence of independent Directors, and ensuring at least 50% of the Board (excluding the Chair) remains independent;
- Internal talent development and review: ensuring that any list of candidates from the executive management team suitable for consideration for Board appointment in the future meets the skills matrix requirements and diversity requirements of the Board;
- Ensuring that external candidates to fulfil Board vacancies are drawn from a short list composed of broadly diverse candidates. This allows for the best candidate to be selected regardless of their protected characteristics, whilst ensuring that women and ethnically diverse candidates are not unfairly excluded from the process by unconscious bias.

art'otel Zagreb

Nomination Committee's activities and focus 2023

Committee Function	Actions in 2023
Board & Committee composition	· Reviewed the composition of the Board to support the strategy, values and culture of the business (see Figures 1, 2 and 3) · Conducted the Board evaluation using the outputs of the external evaluation conducted in 2021 by Independent Audit Limited, and the internal evaluation completed in 2022 by the Non-Executive Deputy Chair · Considered the Committee's own performance and constitution to ensure that it is operating at maximum effectiveness · Reviewed the Board Diversity Policy and other Diversity, Equity and Inclusion policies and procedures · Completed the Director onboarding programme for Marcia Bakker and Greg Hegarty, the most recently appointed Non-Executive and Executive Directors respectively
Board nominations	· Greg Hegarty, the Co-CEO, was appointed to the Board in 2023 · He was subsequently appointed Co-CEO on 8 February 2024 · Completed handover from the outgoing Non-Executive Deputy Chair
Succession planning for Board and Executive Leadership Team	· Implemented changes to Non-Executive Director roles to incorporate functions previously undertaken by the Non-Executive Deputy Chair · Reviewed and updated succession planning for (a) Board members; and (b) Executive Leadership Team.
Diversity and talent management	· Prioritised diversity in both Board and Executive Leadership succession plans · Incorporated organisation-wide Diversity, Equity and Inclusion targets into the ESG Strategy
Workforce engagement	· Conducted site visits to London hotels, including the newly opened art'otel Battersea Power Station London, the development site at art'otel London Hoxton and Park Plaza London Victoria to review the site of planned changes at basement level · Transferred Board member responsibility for workforce engagement from Kevin McAuliffe to Ken Bradley

Transparency and accountability are key to stakeholder confidence in governance structures. We have provided an illustration of our succession planning process in the following diagrams:

Figure 1: Board succession planning process

1	2	3	4	5	
Identification of skills, experience and expertise of Board members	Compilation of a Board skills matrix	Skills gap analysis	Board evaluation	Conclusion on requirement for new appointment	Yes (See Figure 2) / No (return to stage 1)

Figure 2: Succession planning process if new Director is required (as required by Principle J of the Corporate Governance Code)

Update Board skills matrix following Board evaluation → Review Board composition and Board diversity with Parker Review and FTSE Women Leader requirements → Review pipeline candidates list against gap analysis on skills matrix, and diversity criteria → Determine if any pipeline candidates should be taken forward to short list and if external recruitment specialist(s) required → Use Board skills matrix, diversity review and gap analysis to write brief to external recruitment specialist (if required) → Ensure short list of candidates fulfils both skills and diversity criteria → Assess candidates by formal, rigorous and transparent criteria → Appoint

Appointment of new Executive Director to the Board

The Committee's review of Board composition concluded that in line with the long-term succession plan,Greg Hegarty should be appointed to the Board. It was an opportunity to increase Board oversight over executive leadership by bringing a further executive into Board meetings, and therefore making the role accountable to the duties and responsibilities Board membership requires.

The Board felt that governance and executive oversight would be improved by Greg's addition to the Board, which in turn would benefit from his long-standing commitment to excellent leadership of the business. This decision was swiftly followed by promoting Greg to Co-CEO, announced on 8 February 2024 (post balance sheet).

Executive Leadership Team succession planning

2023 saw good consistency in the Executive Leadership Team. In October 2023, as part of our organisational review 'Project Elevate', James Goulding became our Vice President Human Resources & Talent Technology, a vital role for culture and values within the leadership team. We were very pleased to see James take up this position, which he combines with his responsibilities for HR leadership in the UK region.

Project Elevate itself is an ongoing organisational review with Deloitte to ensure our organisational structures align with our business requirements, our extended multi-brand partnership with Radisson Hotel Group and to support our exciting new pipeline of several new openings across European capital cities.

There is a range of recommendations from Project Elevate in the sphere of people and culture, which James is translating into real and impactful initiatives, aimed at improving our overall HR service to the regions and hotels, supporting all our team members, as well as supporting teams in other areas of the business on their own Project Elevate initiatives.

In terms of our consistency in developing and retaining talent in executive leadership, 2023 has been a significant success story. Looking ahead, within our ESG Strategy, 'People' is one of the four pillars, with targets for development and diversity, equity and inclusion. Now that we can be assessed against KPIs for our targets in this area, we have improved transparency and accountability for all stakeholders.

Board induction

Our two newest Directors serving on the Board were appointed in December 2022 and elected at the May 2023 Annual General Meeting respectively. Both were provided with a bespoke induction plan, according to requirements. As an external appointment, Marcia Bakker required an extensive induction programme to familiarise herself with the business, and apply her extensive experience and expertise in accounting and executive search roles to use in oversight positions. A timeline of her induction programme is included at Figure 3.

Greg Hegarty's long familiarity with the business meant that his induction was more focused on training to fulfil the responsibilities of a Director. Norton Rose Fulbright completed training in directors' duties. The contents of the training included:

- Regulatory frameworks applying to PPHE as a Guernsey-registered, London premium listed entity
- Controlling shareholder rules
- Market abuse regulations – in the EU and UK following Brexit
- Key continuing obligations for directors

Directors' induction is a formalised process owned by the Executive Leadership Team (the Chief Compliance & Legal Officer) and the Board (the Chair of the Nomination Committee).

Figure 3: Marcia Bakker induction programme

Appointment	December 2022	December 2022	December 2022	December 2022	December 2022
First interview with the Chair of the Nomination Committee regarding induction requirements	Training from external lawyers on legal obligations	Attended Board and Committee meetings as observer	Site visit to Amsterdam Corporate Office and Amsterdam hotels	Presentations received from I.T. Finance and Commercial Affairs	Meeting with the Director of Financial Planning and Analysis

January 2023	January 2023	March 2023	March 2023	March/April 2023	September 2023
Second interview with the Nomination Committee Chair to identify any gaps and if additional information is required	Review of key statutory documents	Meeting with Finance team to discuss operation of internal finance	UK Corporate Office site visit, plus London hotel and London development site visits	UK Region hotel visits	Review of induction by Chief Corporate & Legal Officer to confirm completion

Independence & tenure of the Chair

Provisions 9 and 10 of the Code set out criteria for the Chair of the Board which guarantee independence, by restricting the circumstances under which the Chief Executive may serve as Chair of the Board, and by setting out tenure restrictions and remuneration criteria which risk a material impact on the independence of the Chair.

Our Non-Executive Chair's tenure means we are not compliant with the letter of Provision 9 of the Code. it is important to set out to shareholders why this is the case, and what arrangements are in place to ensure that the purpose of protecting their interests through an independent Chair is achieved by other means.

The Nomination Committee is in support of the determination of the full Board that our reasons for this departure from the Code are robust, and that the risk to the interests of stakeholders in our Corporate Governance is minimal. Eli Papouchado is one of the founders of the Company, and through his personal stake and investment in the Company (see the Directors' Report on page 142) is fully incentivised to prioritise the long-term, sustainable interest of shareholders and other stakeholders. Mr Papouchado has guided the Company from its inception, and has proven and documented experience in demonstrating objective judgement in an independent manner in the interest of shareholders. His critical eye over executive management is of vital importance to the success of the Company, and we see no reason to deviate from this presently. The business relies on the Chair's unique vision, wealth of knowledge, network and intuition earned through his many successes spanning more than six decades in construction, design, development, financing, acquisition and management of leading hotels.

Until our Annual General Meeting in May 2023, Kevin McAuliffe also acted as Deputy Chair to support the requirement for oversight. My take-up of his role has been designed to ensure that the Code's requirement for independent oversight is met through means other than those prescribed in Provision 9.

We are sensitive to stakeholder feedback, about Corporate Governance or Code non-compliance. We maintain continuous engagement with shareholders, to provide the requisite transparency and accountability. In 2023, we reviewed stakeholder engagement at both Board and Executive Leadership level, to promote further shareholder meetings.

The Nomination Committee and the Board as a whole remains convinced that experience and continuity on the Board is essential to safeguarding the resilience of the business and identifying growth opportunities in the interests of all our stakeholders and society as a whole. The Nomination Committee has therefore made the following decisions:

- that any deviation from the Code is subject to continuing review to ensure it has a robust justification that can be clearly and transparently explained to shareholders to their satisfaction, as in this case; and
- that Mr Papouchado be recommended for reappointment as Chair in 2024.

Board diversity

The Nomination Committee takes responsibility for diversity, equity and inclusion, and maintains a Board Diversity Policy covering all diversity characteristics protected by the Equality Act 2010 which is reviewed annually by the Nomination Committee and proposed for annual adoption by the Board. As part of this, we annually consider the gender balance of those in senior management and their direct reports. Our Board and Executive Leadership Team consist of both men and women and include talented and committed individuals whose business experience, geography, age, gender and ethnicity are varied.

The 2022 Board Diversity Policy contained significant updates as set out in the 2022 Annual Report. Our new Board appointment in 2023 was made on merit, through objective criteria, and in pursuit of good Corporate Governance objectives. Greg Hegarty was appointed in line with the Board succession plan, and reflected his status and importance in the governance of the business as a whole. As such, we are pleased that our long-term succession plan is being implemented properly, with our internal talent development operating to ensure strong continuity in leadership.

The Board Diversity Policy will provide the structure and process for any future appointments process.

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.

Ensuring diversity of experience, viewpoint and skill set on the Board is the priority, but reaching the FTSE Women Leaders and Parker Review targets is incorporated into the recruitment process by including them in instructions to any specialist recruiters instructed as part of the search for new Directors, as per Principle J of the Code. It is our aim to ensure that any short list of candidates contains at least one candidate to assist us in reaching our targets.

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.

In accordance with the Code, the work of the Nomination Committee includes giving consideration to issues of diversity, equity and inclusion, including the mix of gender and ethnicity of those in senior management and their direct reports.

Diversity disclosures

	No. of Board members	Percentage of the Board	No. of senior positions on the Board (CEO, CFO, SID & Chair)	No. in executive management	Percentage of executive management
Reporting on gender identity or sex[1]					
Men[2]	6	75%	4	6	75%
Women	2	25%	–	2	25%
Other categories	–	–	–	–	–
Not specified / prefer not to say	–	–	–	–	–
Reporting on ethnic background					
White British or other white (including minority white groups)	6	75%	2	7	88%
Mixed / multiple ethnic groups	–	–	–	–	–
Asian / Asian British	–	–	–	–	–
Black / African / Caribbean / Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified / prefer not to say	2	25%	2	1	12%

1 Please refer to pages 98 to 101 Members of the Board and members of executive management are considered two separate populations. The individuals counted in the Board and executive management columns are identified respectively in those tables.
2 Alternate Director not included. At all times in 2023, there were six men serving on the Board, as the service of Kevin McAuliffe and Greg Hegarty did not overlap.

Disclosures in the table above are made in line with reporting requirements set out in the Listing Rules (LR9 Annex 2).

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)	6/6
Nigel Keen	6/6
Ken Bradley	6/6
Marcia Bakker	6/6

Dear Stakeholder,
I am pleased to present the Company's Audit Committee Report for the year ended 31 December 2023. As Chair of the Committee, I have prepared this report to set out the activities of the Committee in 2023, and how we have discharged our duties. The 2023 Annual Report is drafted to ensure that taken as a whole, all information published to the market is fair, balanced and understandable. We welcome feedback from all stakeholders on our reporting to ensure that it is compliant and serves their needs.

The Audit Committee performs a crucial role in providing independent oversight over the financial reporting process, internal audit processes and the Company's risk management and internal controls. It provides expert scrutiny to ensure the Company's performance is correctly verified by the external auditors and that the reporting of this to our stakeholders is fair, balanced and understandable. It is the Audit Committee's duty to review the viability of the business, and to provide assurance to stakeholders on the process by which our collective assessment of the good health of the business in the short, medium and long terms has been undertaken.

As a Board we maintain the highest standards as set out in the UK Corporate Governance Code. Conscious of the requirements that the external audit should be put out to tender at least every ten years, the Board, led by the Audit Committee, conducted a competitive tender process this year reflecting on Kost Forer Gabbay & Kasierer's position as the Company's auditor for the past 18 years. The Board's decision will be announced in due course. This appointment will be put before shareholders at the upcoming Annual General Meeting for their approval.

Looking ahead to 2024, we anticipate working through the revised Corporate Governance Code and looking to ensure the Company is ready ahead of implementation date.

In addition to the update to the Code, we have taken note of other developments in the ESG field. In particular, the European Union Corporate Sustainability Reporting Directive (CSRD) as well as the IFRS S1 and S2 reporting frameworks will from 2025 require detail in our governance, targets and strategic planning regarding ESG matters. will also supersede our current TCFD reporting framework, which remains in effect for 2023. We have set out in the TCFD Report on page 80 how we have approached climate-related risks this year, and in the risk management section on page 84 how other material ESG risks are assessed, monitored and controlled.

I would like to thank my fellow Audit Committee members for their work, as well as those others who have assisted the Committee in 2023.

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

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

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.

Suntera Global 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.

FRC review
In August 2023, the Company received a request for information from the Financial Reporting Council (FRC) following their review of the Company's Annual Report and Accounts to 31 December 2022. The FRC asked questions in the areas of financial liability in respect of Income Units sold to investors; accounting policy applied to restricted deposits and cash; and requirements of IAS 1 (presentation of financial statements) in relation to sources of significant estimation uncertainty. We have provided a detailed response into the queries and have adopted the minimal recommended changes and enhancing our relevant disclosures in the 2023 Annual Report and Accounts. The FRC's review was concluded in December 2023. The FRC's review is intended to consider compliance with reporting requirements and is conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework, although lack detailed knowledge of the Company's business or understanding of the underlying transactions entered into. The FRC's review provides no assurance that the Company's reports and financial statements are correct in all material respects. The FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

The letters from the FRC are written on the basis that the FRC accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.

Audit Committee's Activities and Focus 2023

Committee Function	Actions in 2023
Monitor the Group's financial statements	• Reviewed the Interim Report and Financial Statements for the period ended 30 June 2023, published on 31 August 2023 • Reviewed the form and content of the 2023 Annual Report and Accounts to ensure that the document was fair, balanced and understandable • Reviewed correspondence and engaged with the Financial Reporting Council's Corporate Reporting Review Team on their review of the 2022 Annual Report and Accounts

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 ('ERM'), including:
	  • the financial control framework; and
	  • risk incidents and mitigating actions
	• Received regular updates on and reviewed emerging risks
	• Updated principal risk schedule and ERM framework
	• Conducted internal assessment of the Audit Committee's performance to monitor its effectiveness
	• Set the internal audit plan for FY23 and other third party commission assurance engagements, and monitored the progress throughout the year
	• Financial assurance and additional deep-dive audit as highlighted in the audit plan and / or the ERM. In 2023, the Audit Committee reviewed a number of assurance reports throughout the year, across seven different areas of financial process and control and in relation to the topic of business continuity and operational resilience
	• Monitored and reviewed the effectiveness of internal audit function
	• Considered the structure of internal audit
	• Continue to assess appropriateness of reporting from subsidiaries

Oversee ethical dealings and compliance for the Group	• Reviewed the adequacy of a number of key policies for the effective and ethical governance of the Group, including:
	  • the Significant & Related Party Transaction Policy; and
	  • the Whistleblowing and Anti-Bribery & Corruption Policies
	• In preparing the tender for the new external auditor, 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 finance teams for update on internal controls, risk management and reporting matters
	• Reviewed the FRC's Audit Committees and the External Audit: Minimum Standard and ensured the Audit Committee is performing all responsibilities outlined

Review the Group's external audit function	• Considered the audit and interim planning report from the external auditors • Considered the annual and interim findings report from the external auditors • Ensured continued engagement with the external auditors during the external audit process • Met with subsidiary auditors to discuss the status of the subsidiary audits • Evaluated the performance of the external auditor
Conducting the tender process for appointment of a new external auditor	• Set out and led the audit tender process • Reviewed audit firm long list (including challenger audit firms) • Drafted the audit tender request for proposal • Reviewed and evaluated the audit firms' written proposals • Conducted and evaluated in person presentations from the audit firms

Effectiveness of the Audit Committee

The Committee is assessed annually for its effectiveness. The evaluation is designed to assess the Committee's effectiveness and compliance with the requirements of the Code and FRC Guidance on Audit Committees, as well as other applicable standards. The conclusion of the evaluations was that the Audit Committee is effective and is compliant with the Corporate Governance Code. Areas of focus were identified and incorporated into the objectives of the Committee set out in the table above.

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 98 and 99.

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 considering the nature of the Group's business and the sector in which it operates.

Audit Committee schedule and resources

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

The Audit Committee members had access to ask questions or request ad-hoc meetings from the Executive Leadership Team, key members of the corporate teams, the external auditors, external auditors of the subsidiaries and any other member of the Company as they requested.

The Audit Committee receives monthly financial, IT, operational performance and strategic updates from the Chief Financial Officer, Deputy Chief Executive Officer, Chief Corporate & Legal Officer and the Regional Vice Presidents.

The Audit Committee Chair also receives monthly updates on non-financial reporting areas, such as enterprise risk, internal audit matters and updates on the financial control framework from the Head of Internal Audit and Risk, who reports directly to the Audit Committee. The Audit Committee is satisfied that it had access to the resources necessary to discharge its responsibilities in 2023.

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 2023.

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, objectivity 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 one year at the Company's Annual General Meeting in 2023.

The Directors note the recommendation of the UK Statutory Auditors and Third Country Auditors Regulations 2016 and the FRC Audit Committee and the External Audit: Minimum Standard (May 2023), which require the audit contract should be put to tender every ten years. We also note the recommendation of the FRC Guidance for Audit Committees that audit partner rotation should take place every five years. Please see page 126 for further details of the recent formal audit tender process.

Overseeing external auditors

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

In Q4, 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 the following:

- Investment in joint ventures – as part of the incorporation of the European Hospitality Real Estate Fund we asked the auditors to provide their views on management's interpretation of the IFRS accounting treatment of the joint venture and asset transfer to ensure there was no surprises when it came to the year end accounts, further details on the accounting treatment can be found in the Consolidated Financial Statements in Note 5(b)(iii);
- Internal controls – we asked the external auditors to provide specific feedback on the Group's internal controls and how the Groups internal controls compared to similar hospitality groups. The external auditors provided their feedback as part of the final audit closing meeting with positive results; and
- Related party transactions – given the development of art'otel London Hoxton is nearing completion with GC Management we asked the auditors to provide written feedback in their final audit findings document. The external auditors confirmed that all material related party transactions are appropriately disclosed and recorded in the consolidated financial statements.

When the external auditors present their interim review and final audit findings, the Audit Committee request that management are not present for part of the meeting to ensure that the external auditors are able to speak freely and share any views without management being present. This also allows the Audit Committee to understand how the external auditors had been professionally sceptical in their procedures and discuss any areas which they have challenged management on. The External Audit team was headed up by a new engagement partner and new team, as such this led to a healthy amount of professional scepticism. In particular around the account disclosures, internal controls and accounting treatment of the European Hospitality Real Estate Fund.

The key audit matters raised by the external auditors are included in their audit opinion on pages 147 to 149.

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 auditor's 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. The Committee noted that there was a change in the audit partner and team, and as such recommended that appropriate time was spent ensuring the new team had access to management and the Audit Committee Chair to allow them to get up to speed with the Group.

Policy on engaging external auditors to supply non-audit services

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

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

The audit fees due to the external auditors amounted to £320,173 (2022: £300,007). Total non-audit fees amounted to £62,568 (2022: £61,452) 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 2023 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.

Audit tender process

The Directors note the regulatory requirements quoted above on audit tender and rotation intervals. Noting that the 2023 financial year will be Kost Forer Gabbay & Kasierer's tenth year of appointment as the Company's external auditors (18th year of an Ernst & Young Global member firm), during 2023 financial year, the Company undertook a formal tender process. A description of this process and its alignment to the recommendations of the FRC 'Audit Committee and the External Audit: Minimum Standard' (May 2023) follows.

The Audit Committee conducted meetings with a number of candidate audit firms to ascertain whether they had the requisite resources and capabilities, with key criteria being audit quality and the technical capability of each firm. The Audit Committee sought to have as diverse a pool of candidate firms as possible (including challenger audit firms) to allow for sufficient competition and choice.

Following this, the Audit Committee applied transparent and objective criteria to create a short list of three firms who were invited to tender, as they were considered by the Audit Committee to be independent of the Company and suitably qualified to conduct an effective audit process. No firms selected declined to participate. The Audit Committee considered the detailed written proposals from each of the three candidate firms. The Audit Committee then conducted a series of interviews with the candidate firms. The key criteria considered by the Audit Committee in reaching its tender decision included those of audit quality, international hospitality audit experience, audit approach, potential for value add and fees. The Audit Committee considers the candidate selection process to be fair and objective. All Audit Committee members were involved throughout the tender process.

The audit tender process is near completion and an announcement will be made once the board have approved the audit firm. The audit firm chosen will be included in the AGM notice for shareholders to vote on for the upcoming 2024 AGM.

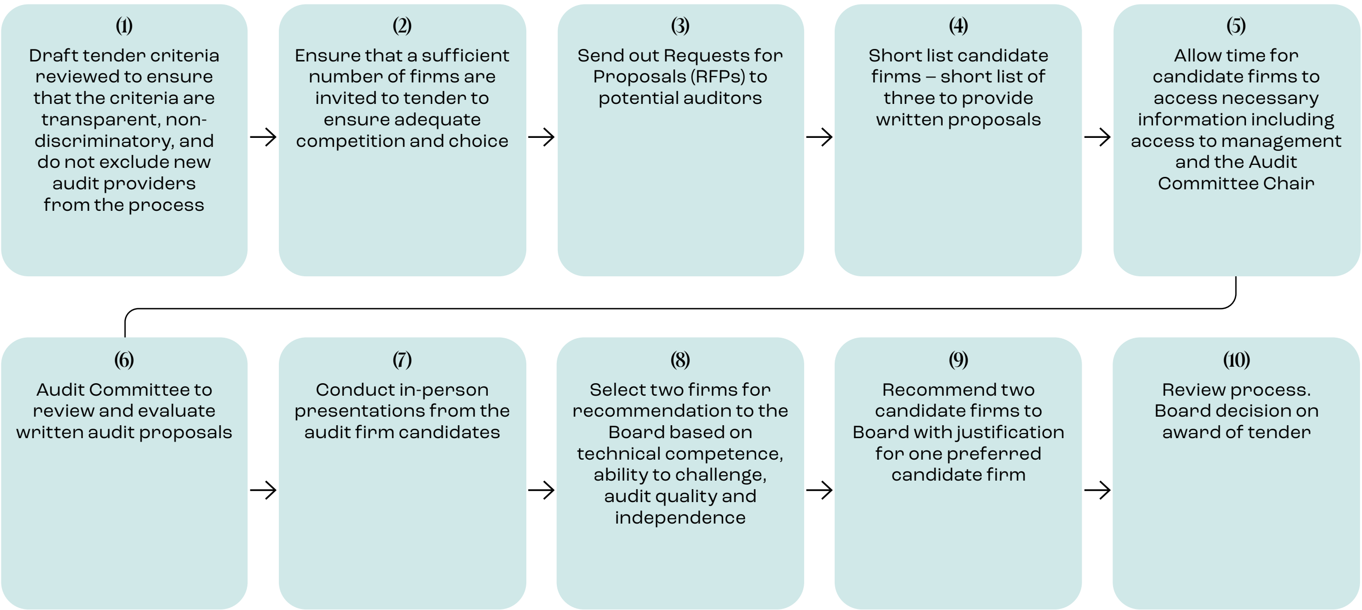
Internal audit

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

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

The Audit Committee monitors and reviews the effectiveness of the internal audit function and meets with the Head of Internal Audit and Risk on a monthly basis to review the progress of the internal audit programme, among other things. The Audit Committee meets with the Head of Internal Audit and Risk at each Audit Committee meeting and does so without the presence of the Board and the Executive Leadership Team, unless

Figure 1: Process for conducting tender for external auditors



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 review the risk appetite statement, current risk profile of the Group and 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 them to satisfactorily complete such work plans. The resourcing of this team was reviewed in 2023 to reassess if there is enough capacity in the team. The conclusion was that more resources would be needed to deliver on the 2023 internal audit plan; as such two internal audit specialists were recruited during the year.

Throughout the year, the internal auditor reports on the progress of the internal audit work plan and action point status. The Audit Committee regularly reviews reports and considers the Board's response to any major findings, providing support, if necessary, for any follow-up action required and ensures that the team obtains free and unrestricted access to all Group activities, records, property and personnel necessary to fulfil its agreed objectives.

In line with the 2023 internal audit work plan, the Audit Committee instructed the Head of Internal Audit and Risk to perform work focused on the following:

- Business Continuity and Operational Resilience
- Hotel Cash Management
- Unit Holder Payments
- Fixed Asset Accounting
- Travel and Expense Management
- Treasury and Cash Management
- Reserve to Cash Processes
- Inventory Management

Expert third party assurance was also instructed in respect of cyber security prevention and detection.

All these areas were highlighted in the enterprise risk management system or form part of the Financial Assurance Programme. The Audit Committee undertakes an annual review of the Internal Audit and Risk function for effectiveness. Additionally, it implemented new automated processes in 2023 to improve working practices and communication between the team and the risk owners. The Audit Committee is satisfied that the quality, experience and expertise of the internal audit function was appropriate for the business.

Financial controls

The Financial Control Framework maps financial controls across the business and identifies control owners. The control owners are asked to confirm compliance with the expected controls through self-certification. Financial Assurance has been the primary focus of the deep-dive work of the Internal Audit and Risk function in 2023.

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 process for evaluating the effectiveness of the ERM system and controls requires the output of the system to be benchmarked against similar organisations, using publicly available information. It is also benchmarked against reports and publications from appropriate professional bodies and institutions. The formal assurance process takes place annually.

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, climate, climate change and measures to limit carbon or due to social and geo-political causes are also reviewed by the Audit Committee with the aim of implementing appropriate controls and monitoring systems. When reviewing risks, the Audit Committee takes into account material external socio-economic and geo-political matters.

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

The Head of Internal Audit and Risk has undertaken work with the ESG Manager for the Group to ensure that the ERM system appropriately records climate risk. The climate risk work undertaken with the ESG Manager involves review of existing climate risks, review of changes and upcoming legislation, and corresponding re-assessment of the climate risks to the business. This process has been overseen by the Audit Committee and for further details on these risks please see the TCFD Report on page 80.

The detailed assessment of the principal risk, emerging risks and uncertainties facing the Group is included on pages 84 to 94.

Minimum Standards for Audit Committees

During 2023, the Audit Committee reviewed its terms of reference against the requirements of the 'Minimum Standard for Audit Committees and External Audit' issued by the FRC (the "Standard"). The Audit Committee is of the view that an early adoption of the Standard would enhance the Audit Committee's terms of reference but also the internal processes put in place by the Company in relation to auditor evaluation and reporting. The Audit Committee also considered the requirements of the Standard when undertaking the audit tender during the year.

Following the review, the Audit Committee concluded that the terms of reference and internal processes remain fit for purpose. An annual assessment of the terms of reference and internal processes against the Standard will be conducted to identify any potential shortcomings.

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 judgements 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 2023 Annual Report and Accounts, the significant issues considered, and where the Audit Committee challenged the Executive and senior management, were the following:

- **Information security** – The Audit Committee continues to monitor the information security risks. The Audit Committee meets regularly with the IT Security Manager and Head of Internal Audit and Risk to receive updates on technology risk environment, ongoing systems controls and monitoring and emerging risks in this area. This informs the Audit Committee on what third party assurance is instructed during the year.
- **Viability / Going concern** – As a result of law and best practice, ensuring this is a standing item of focus for the Audit Committee. The Audit Committee considered the appropriateness of the viability and going concern assessment recommended to the Directors that they collectively make and sign the statements on page 146.
- **Impairment testing** – The Group's impairment review requires significant judgement in estimating the recoverable amount of its intangible assets, property, plant and equipment and the IFRS 16 right-of-use asset. The Audit Committee reviews the independent property valuations and 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 (APMs)** – The Audit Committee in reviewing the Annual Report and Accounts has challenged management on their use and definitions of APMs.
- **Climate change / ESG** – The Audit Committee makes its own assessment of the risks and opportunities posed by climate change and other ESG matters independent of the oversight of these matters by the ESG Committee of the Board. The Audit Committee will require performance reports against KPIs for the Strategic Objectives and will continue to assess whether third party assurance is required.

In addition, the other significant issues generally considered relate to the complexity of the financial statements due to the size of the Group and the multiple legal entities.

ESG Committee Report

Ken Bradley
Chair of the ESG Committee

Membership of the ESG Committee and meeting attendance

Name of Director	Meetings attended and eligible to attend
Ken Bradley (Chair)	4/4
Stephanie Coxon	4/4
Marcia Bakker	4/4

Dear Stakeholder,

In 2023, we have sought to follow up on our materiality assessment of our impact on environmental, social and governance issues of importance to our stakeholders, and the impact on us of a changing environment, Corporate Governance and social landscape. This assessment is known as a 'double materiality' assessment as it takes into account both our impact on environment and society as a business, and the impact changes to the environment and social changes have on our long-term success. This ensures we are looking ahead and are aware of risks and exploring new opportunities for the benefit of all stakeholders. We have worked hard to set targets internally, which will enable us to be accountable to our stakeholders on environmental, social and governance performance.

Continuation of the Committee

The Committee takes the view that in the long term, the responsibilities of the Committee will converge with those of our other Board Committees, leading to a point where a separate ESG Committee is no longer required. We aspire that ESG and non-financial reporting are completely integrated into the strategy and financial reporting of the business. As we continue the work of benchmarking, setting robust targets, and ensuring accountability against rigorous standards, in the short to medium term, the ESG Committee will remain as a stand-alone body.

Strategic oversight

We are very pleased to announce new ESG targets in our strategy. Targets can only be set once we are satisfied we have the correct data for our baseline position, and whilst this work is ongoing in some areas, for example, in waste management we have hit a milestone in committing to the Science-Based Targets Initiative (SBTi) that we will have verified, science-based targets for net zero before the end of 2025.

Our oversight and the way we are held accountable by the market lie in good data. We are reporting more detailed carbon data this year than previously, having worked to improve the emissions factors for Scope 3 carbon.

We are confident that our investment in efficient technologies, in switching from gas to electricity, and purchasing certified renewable electricity will drive down Scope 1 and 2 emissions in line with net zero ambitions, but Scope 3 is less under our control, and relies on dynamic cooperation with our supply chain partners.

Strategic outcomes

Double materiality will be a regulatory requirement in future, however, our early adoption has allowed us to focus strategically on where we can have the greatest positive impact for our stakeholders. The appointment of a full-time ESG Manager reporting directly to the Group Corporate & Legal Officer ensures that there is dedicated resource to keep us working towards our strategic objectives. The ESG Ambassador network allows everyone working in the hotels and offices to be fully engaged with our strategic approach and to feel they are working to a common goal.

I commend the ESG Report found on page 66 to you, which demonstrates the value we have created in this area in 2023.

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Social targets

Alongside carbon reductions, we have other environmental responsibilities to stakeholders, such as biodiversity in our property portfolio, and reducing stress on limited resources like water and waste management facilities. We also have important social responsibilities, such as ensuring adequate labour standards in our supply chain, and ensuring we are engaging with our teams to be an employer of our choice.

Governance

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

ESG Committee's 2023 activities and focus

Function	Actions in 2023
Performance of the Committee	· Reviewed the Committee terms of reference · Received carbon literacy training
Oversight of Climate-related risk and reporting	· Sent letter to SBTi to commit to verifying science-based targets · Reviewed the climate risk assessment undertaken for TCFD reporting Approved TCFD Report for publication
Diversity, Equity and Inclusion (DEI)	· Horizon scanning for best practice in DEI practices and reporting
ESG Strategy	· Review of targets set internally for accountability through metrics · Oversight of development of ESG Strategy, including data-gathering projects and scrutiny of value add from membership of Industry forums

Remuneration Committee Report

Nigel Keen
Chair of the Remuneration Committee

Membership of the Remuneration Committee and meeting attendance

Name of Director	Meetings attended	Eligible to attend
Nigel Keen (Chair)	4	4
Stephanie Coxon	4	4
Ken Bradley	4	4
Marcia Bakker	4	4

Dear Stakeholder,

It is my pleasure to present the Remuneration Report for the year ended 31 December 2023. The report will be presented for an advisory vote of shareholders at the forthcoming Annual General Meeting. The current Remuneration Policy has been approved by the shareholders through an advisory vote in the 2021 Annual General Manager for the years 2022-2024.

As a Guernsey-incorporated company, the Company is subject to The Companies (Guernsey) Law, 2008, rather than the UK Companies Act 2006. Nonetheless, we recognise that as a premium-listed company on the London Stock Exchange, investor expectation is that we keep a high standard of governance. This is in line with our goal of effective, transparent and accountable Corporate Governance. Accordingly, we have engaged with stakeholders in producing this remuneration report, both through individual engagement with me in my capacity as Chair of the Committee and Senior Independent Director, and with the Board as a whole.

I am pleased to present the report for 2023.

2023 performance

2023 has been a year to celebrate for the Company. The Group has delivered a full recovery across the business in 2023 following three years of operating in challenging times of worldwide pandemic. 2023 has seen the business performing significantly ahead of expectations despite the macro headwinds experienced across the sector during the year.

We have also seen significant development of our pipeline with the bringing of our art'otel brand to London in the opening of art'otel Battersea Power Station London, and in preparations for the opening of art'otel London Hoxton expected in 2024, which mean the fruition of years of hard work on the pipeline. Among others, these two new properties in some of the most exciting areas of the UK capital are the culmination of the hard work of everyone in the Company, from those setting the strategic direction, to those responsible for delivering the customer experience from day one of the new hotel's operation.

Workforce remuneration

The Remuneration Committee considers remuneration across the whole workforce. The Company reviewed employee pay and considered workforce pay increases. These are set out in the tables on page 139. Executive remuneration decisions are taken by the Committee with increases to the wider workforce in mind.

In an environment of high inflation and cost-of-living pressures, we have structured pay awards and other benefits to favour lower-paid workers. We benchmark pay across the market, and look to inflation projections to ensure that pay is competitive and addresses employee needs.

We also look at non-pay benefits to assist workers. in 2023, we introduced Benefithub – tools to get discounts on groceries, and online advice on accessing state benefits, debt counselling and financial wellbeing advice. Employees are now entitled to two meals a day, seven days a week. We have introduced earned-wage access – the ability to draw down 40% of earned wages in any pay period – which helps prevent indebtedness. Travel allowances in the Netherlands are at the maximum level permitted, and the Netherlands also made two loyalty payments to staff in 2023. We have also expanded our Cycle-to-Work and Season Ticket Loan schemes.

The Annual Pay Review exercise for 2023 produced the following results for the UK and Netherlands regions, which are the operative comparator regions for executive pay within the Group. The pay award in each Region is in line with local inflationary, legislative and market conditions.

UK: Pay has been increased in line with the National Minimum Wage (NMW) with adjustments made for all pay bands in a decreasing scale. Employees currently paid the NMW received an increase of 9.5%. The average pay award across all brackets sits at 7.3%.

Netherlands: Pay has been increased in line with the HORECA Collective Labour Agreement for 2024 with an average pay award of 10.2%. Please see below the % increase per pay scale. Salaries for employees that are currently being paid above the salary scales received an increase of an average rate of 4%.

ESG
We have this year set ESG targets to which the business is accountable to shareholders and other stakeholders. The Committee is very happy to note progress in 2023: the business has made a commitment to Science-Based Targets to net zero, and is collecting data to permit measurement of social value. We have made real progress in reducing costs and emissions through investment to improve efficiency. The Committee is therefore satisfied that 2023 has been a year of strong performance on ESG, which will play forward into 2024.

Remuneration policy implementation in 2024
Base salary
The base salaries of the Co-CEO and the CFO are increased as of 1 January 2024 at 3% of their 2023 base salary (less than the wider workforce) with the CEO's base salary increasing by 7.3% in line with local place of employment. This increase reflects the fact that the CEO base pay is still significantly below his peer group. Further, the Co-CEO received a £5,000 per annum increase in line with his appointment to the Board. This reflects the additional responsibility he has taken on as a member of the board. The Committee reviewed this against the retention priority and other factors, and concluded that the base pay remains at a reasonable and desirable level when considered as part of remuneration as a whole. This conclusion was based on workforce pay levels as a whole.

Pension
The Committee has, year-on-year, sought to align pension contributions to the workforce as a whole. Executive Directors' pension allowances are based on local rules depending on place of employment, and can be taken as a contribution to the Group Personal Pension Plan, as a cash supplement or a combination of the two.

Pension contributions will remain aligned to workforce pensions, and continue to align with governance requirements that only basic salary shall be pensionable.

Bonus performance measures
For 2024, performance measures remain largely unchanged from 2023. For the annual bonus, 70% of the bonus will be based on financial criteria, with the remaining 30% based on individual strategic objectives, including ESG measures. The annual bonus for 2024 shall include a share award as well as a cash award in keeping with the Remuneration Policy.

LTIP
No LTIP is expected to be awarded in 2024.

Remuneration outcome in 2023
The Company's full recovery and exceptional performance are reflected in the full achievement of the incentive targets set for 2023:

Base salary
As outlined in our report for 2022, the CEO's base salary had increased from £500,000 in 2022 to £550,000 as of 1 January 2023. The CFO's base salary had an increase at 1 November 2022 to £479,736 and remained at this level throughout 2023. Greg Hegarty joined the Board following his appointment on 23 May 2023. His base salary throughout 2023 is £496,125.

Pension
Furthering the work reported on in 2022, the Committee requires outcomes on pensions to be aligned to the workforce. This continues year-on-year trends. Executive Directors' pension allowances are based on local rules depending on place of employment, and can be taken as a contribution to the Group Personal Pension Plan, as a cash supplement or a combination of the two.

The pension contributions for the President & CEO and Co-CEO were 5% of their respective base salary in 2023 (aligned to or below the Group's wider workforce in their country of employment, with the UK wider workforce being at an average of 5.27% and the NL wider workforce being at an average of 6.9%). The CFO's pension contributions are in line with the Netherlands wider workforce.

2023 annual bonus
The 2023 annual bonus was assessed against financial criteria and personal objectives, with success assessed 70% on financial metrics, 30% on non-financial metrics. Performance against the various measures was strong, with all the performance criteria deemed to have been achieved.

Financial metrics	Non-financial metrics
Revenue	Guest satisfaction
Gross operating profit targets	Employee engagement ESG targets

Performance against the financial targets significantly exceeded the maximum target set. The non-financial targets were comprised of four individual targets, two of which were ESG related accounting for 15% of the total bonus. These targets including measurements relating to employees' well-being and overall satisfaction as well as measurements for reduced energy consumption and energy saving across the hotels. The Committee judged that the individual strategic and ESG measures had been met in full.

In 2023, the Group operated a modest annual bonus programme with a capped bonus potential well under the maximum amount permitted under the Remuneration Policy, with the annual bonus awarded to Executive Directors ranging from 28%-31% of the annual base salary. The CEO, Co-CEO and the CFO have each been awarded £157,000 as an overall 2023 annual bonus. No share awards have been awarded for 2023.

LTIP
No LTIP is awarded for 2023, and no prior awards vested in 2023.

I look forward to shareholder support at the 2024 Annual General Meeting.

Nigel Keen
Chair of the Remuneration Report

Remuneration Committee membership and meeting attendance
The Committee is composed of four independent Non-Executive Directors. No member of the Remuneration Committee is considered to have a personal financial interest in matters to be decided by the Committee. As the Chair, I satisfy the independence and service requirements of Provision 32 of the Corporate Governance Code.

The CEO, Co-CEO, CFO 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 Committee's 2023 activities and focus

Function	Actions in 2023
Remuneration Policy	· Reviewed the Remuneration Policy against the following criteria: · Link to strategy and success against business performance metrics · Furtherance of long-term sustainability of value creation for shareholders · Link to ESG performance metrics
Executive Director and senior management remuneration review	· Reviewed Executive Director basic pay · Reviewed Executive Director pensions; benefits; incentives and shareholding for alignment to workforce, culture and objectives · Reviewed C-Suite remuneration
Set targets and incentive schemes	· Reviewed and considered incentive schemes
Workforce remuneration and benefits policies	· Reviewed gender pay gap and senior executive to average worker pay ratios.

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

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

The Committee's terms of reference are annually reviewed to ensure compliance with the Code and ongoing strategic alignment with the Company, with the latest updated terms of reference approved in 2023 and available on our website.

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2022-2024 Remuneration Policy

Introduction

The Remuneration Policy came into effect on 1 January 2022 (the ‘Policy’) for a period of three years. The Committee is tasked with keeping the Policy under review, and ensuring that it is suitable to be presented to shareholders for their advisory vote, which took place at the Annual General Meeting in April 2022.

The Policy was designed with the interests of employees, shareholders and other stakeholders in mind, and was proposed mindful of the impact of the Company’s operations on the community and the environment. The Committee and the Board considered the Company’s reputation and relationships with the places in which the Company operates before proposing the Policy. 2024 will be the final year of operation for the existing Policy, and a new Policy will be presented to shareholders for an advisory vote at the Annual General Meeting in 2025.

Purpose of the Policy

- Promote the long-term sustainable success of the Company and support its strategy
- Ensure that the Company’s remuneration structures are aligned to the Company’s purpose, strategy and entrepreneurial culture
- Provide an appropriate balance to utilise remuneration to attract, retain and motivate the Company’s leadership to drive the strategic vision of the Group successfully

Policy table

(1) Base salary	**1. Purpose and link to strategy**	**2. Operation**
	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.	The salary payable to Executive Directors will normally be capped at the upper quartile of the relevant market benchmark for the role under review. This maximum salary represents the highest end of the range at which the Committee would expect the base salary to be set, rather than the actual amount to be paid. There is no separate cap on the annual increase to base salaries. However, the Committee will normally determine the appropriate level of increase for Executive Directors taking into account the general level of increase for the broader workforce, but on occasion may need to make a more significant increase to recognise additional responsibilities, or an increase in the scale or scope of the role.
(2) Benefits	**1. Purpose and link to strategy**	**3. Maximum potential value**
	To provide market competitive benefits consistent with role.	We do not consider it appropriate to set a maximum benefits value as this may change periodically and by region.
	2. Operation	
	Benefits vary between regions and would typically include annual leave, wellbeing day, occupational sick pay, health screening, personal accident insurance, and participation in all employee share schemes. In the UK, these would include in addition medical insurance and life assurance, and in the Netherlands, car allowances. In line with business requirements, other expenses may be paid, such as relocation expenses, together with related tax liabilities	
(3) Pension	**1. Purpose and link to strategy**	**2. Operation**
	To attract and retain talent by enabling long-term pension saving.	Executives can choose to participate in a defined contribution arrangement, or may receive a cash equivalent. A salary supplement may also be paid as part of a pension allowance arrangement.
(4) Annual bonus plan	**1. Purpose and link to strategy**	**3. Maximum potential value**
	To incentivise and reward the delivery of near-term business targets and objectives.	150% of base salary.
	2. Operation	**4. Performance metrics**
	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.	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. 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	**1. Purpose and link to strategy**	**3. Maximum potential value**
	The LTIP scheme adopted in 2022 allows for a framework for the award of market value options, salary-related options, deferred bonus awards and performance share awards to all employees. The long-term and phased vesting of these awards, along with the ability of the Committee to apply additional holding periods, are designed to: · drive and reward sustainable performance over the long-term; · align the interests of executives and shareholders; and · support talent retention.	The aggregate market value (as determined by the Committee at or prior to the award date) of shares in respect of which performance share awards and/or restricted stock awards are made to an employee in any financial year are capped at 150% of the employee’s annual base salary at the award date.
	2. Operation	**4. Performance metrics**
	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; and · performance share awards – options which are granted subject to specified performance targets. Notwithstanding the extent to which any performance target is satisfied, the number of vested award shares may be 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.	The performance measures applied to LTIP awards are reviewed annually to ensure they remain relevant to strategic priorities and aligned to shareholder interests. Weightings and targets are reviewed and set prior to each award. Performance measures will include long-term performance targets, of which financial and/or share price-based metrics will comprise at least two-thirds of the award. Quantifiable non-financial metrics, key to business performance, will be used for any balance. Any material changes to the performance measures from year to year would be subject to prior consultation with the Company’s controlling shareholders. The Committee may adjust the number of shares realised if it considers such adjustment is justified based on: (a) the performance of the Company, any business area or team; (b) the conduct, capability or performance of the participant; or (c) the occurrence of unforeseen events or of events outside the participant’s control.

Notes to the Policy table

The Committee may make minor amendments to the Policy set out above (for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation). As the Company is registered in Guernsey, shareholders’ approval is not required in connection with the Policy.

The Executive Directors may request, and the Company may grant, salary and bonus sacrifice arrangements.

The LTIP rules permit the substitution or variance of performance conditions to produce a fairer measure of performance as a result of an unforeseen event or transaction. They include discretions for upwards adjustment to the number of shares to be realised in the event of a takeover, and scheme of arrangement or voluntary winding up.

Non-significant changes to the performance metrics may be made by use of discretion under the performance conditions. Awards are normally satisfied in shares, although there is flexibility to settle in cash.

The Committee reserves the right to make remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the Policy table set out above where the terms of the payment were set out and approved prior to the date the Policy came into effect. For these purposes, ‘payments’ include the Committee determining and paying short-term and long-term incentive awards of variable remuneration.

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 role holder's skills, gravitas and qualifications to lead the Board. No Director may participate in the decision-making relating to their own remuneration.

Additional fees

Non-Executive Directors are paid a set additional fee for being Senior Independent Director, a member of a Board Committee and for chairing a Board Committee.

This fee is the same for each Non-Executive Director, with exception of the Deputy Chair who attracts an additional fee for the role and the Senior Independent Director who attracts an additional fee for the role.

Appointment term and other matters

The Non-Executive Deputy Chairman was appointed to a term ending at the Annual General Meeting in 2028. All other Non-Executive Directors are appointed to terms ending at the Annual General Meeting in 2028 (all are subject to annual re-election), unless terminated sooner. All Directors retire and are offered re-election each year at the Annual General Meeting.

Non-Executive Directors are not entitled to bonuses, benefits or pension scheme contributions or to participate in any share scheme operated by the Company.

In addition to any remuneration payable, a Non-Executive Director may be paid reasonable travel, hotel and other expenses properly incurred in discharging the Director's duties. Fees cease immediately in the event the Non-Executive Director ceases to be a Director.

Directors are entitled to the benefits afforded by the Group's Directors and Officers Insurance.

Maximum potential value

Prescribed by the Articles of Association of the Company.

Term and termination

Boris Ivesha has a contract which may be terminated on 12 months' notice by the 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. Greg Hegarty has a contract which may be terminated on 12 months' notice by the Group or on six months' notice by Greg Hegarty. 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.

The dates of the Directors' contracts are as follows[1]:

Director	Date of appointment	Term of appointment	Subject to annual re-election	Notice period
Eli Papouchado	26-Jun-07	Indefinite	Yes	3 months
Boris Ivesha	14-Jun-07	Indefinite	Yes	12 months from Group; 6 months from Boris Ivesha to the Group
Daniel Kos	27-Feb-18	Indefinite	Yes	6 months from Group; 3 months from Daniel Kos to the Group
Greg Hegarty	23-May-23	Indefinite	Yes	6 months
Kevin McAuliffe	15-Jun-07	Ended at AGM 2023	N/A	N/A
Ken Bradley	04-Sep-19	Annual General Meeting 2028	Yes	3 months
Nigel Keen	20-Feb-20	Annual General Meeting 2028	Yes	3 months
Stephanie Coxon	07-Aug-20	Annual General Meeting 2028	Yes	3 months
Marcia Bakker	06-Dec-22	Annual General Meeting 2028	Yes	3 months

The Executive Directors' service contracts do not contain specific provision for compensation in the event of removal at an Annual General Meeting.

In the event of early termination, some Directors may be eligible for payments in lieu of notice. When determining exit payments, the Committee would take account of a variety of factors, including individual and business performance, the obligation for the Director to mitigate loss (for example, by gaining new employment), the Director's length of service and any other relevant circumstances, such as ill health. A departing Director may also be entitled to a payment in respect of statutory rights. The Committee would distinguish between types of leaver in respect of incentive plans. 'Good leavers' (death, ill health, agreed retirement, redundancy or any other reason at the discretion of the Committee) may be considered for a bonus payment having completed the full year, and part-year bonus payments may be paid and LTIP awards may vest at the usual time taking into account performance conditions and pro-rating for time in employment during the performance period, unless the Committee determines otherwise. The LTIP rules include discretion, in exceptional circumstances, for acceleration of the realisation date and upwards adjustment to the number of shares to be realised for 'good leavers' in such a situation. In all other leaver circumstances, the Committee would decide the approach taken, which would ordinarily mean that leavers would not be entitled to consideration for a bonus and LTIP awards would lapse. Any vested LTIP award that is subject to a holding period at the time of the executive's cessation of employment will not lapse except in the case of the executive's gross misconduct. The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. In addition, the Committee reserves the right, acting in good faith, to pay fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his or her cessation of office or employment.

The appointment of each of the Non-Executive Directors is for an initial period of three years, or for the period between the date of appointment and the Annual General Meeting in 2024, whichever is the shorter. The appointment of each Non-Executive Director is renewable for further terms, and is terminable by the Non-Executive Director (as applicable) or the Company on three months' notice. No contractual payments would be due on termination. There are no specific provisions for compensation on early termination for the Non-Executive Directors, with the exception of entitlement to compensation equivalent to three months' fees (as applicable) or, if less, the balance of appointment, in the event of removal at an Annual General Meeting.

Reward packages for new Executive Directors will be consistent with the above Remuneration Policy. Fixed remuneration elements would be paid only from the date of employment and any bonus will be pro-rated to reflect the proportion of the year employed. The maximum level of variable remuneration is as stated in the Policy table on pages 134 and 135.

The Committee retains discretion to make appropriate remuneration decisions outside the standard Remuneration Policy to meet the individual circumstances when an interim appointment is made to a fill an Executive Director role on a short-term basis. For Non-Executive Directors, the Board would consider the appropriate fees for a new appointment taking into account the existing level of fees paid to the Non-Executive Directors, the experience and ability of the new Non-Executive Director and the time commitment and responsibility of the role.

2023 Annual Remuneration Report

This report will be submitted as an advisory vote to shareholders at the 2024 Annual General Meeting.

Directors' remuneration for 2024

In 2024, we will be seeking shareholder approval under an advisory vote of the Remuneration Report which summarises the remuneration outcomes for 2023. As we have seen the business return to profitability this year, we believe that the Remuneration Policy applicable for 2022–2024 continues to ensure that the Company is able to attract, retain and incentivise management with a framework which supports the long-term success of the Company and encourages actions which align with the values, purpose and culture of the Company. The Policy will be again subject to shareholder approval in 2025.

The Committee will continue to review shareholder feedback on remuneration with regard to its implementation in 2024. Major considerations are likely to be: (a) macro-economic conditions, including high inflation; and (b) increased availability of ESG KPIs due to implementation of the ESG Strategy as set out on pages 66 to 83.

Outcomes in respect of 2023

Directors' remuneration in 2023 was awarded in line with the Remuneration Policy, which was approved by shareholders at the 2022 AGM. Overall, the Committee is satisfied that the policy has operated as it was intended this year.

Single total figure of remuneration (audited)

The following table details Directors' remuneration for the 2023 financial year (with 2022 comparative figures).

Total remuneration for PPHE Hotel Group Board 2023

		Base salary and fees[2]		Bonus		Pension contributions		LTIP		Other benefits		Total[1]	
Name	**Position**	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Boris Ivesha	President & CEO	**550,000**	500,000	**157,500**	–	**27,500**	50,000	–	–	15,135	13,311	**750,135**	563,311
Greg Hegarty[3]	Deputy CEO & COO[4]	**496,125**	–	**157,500**	N/A	**23,625**	N/A	–	–	3,860	–	**681,110**	–
Daniel Kos	CFO	**479,736**	448,091	**157,500**	531,050	**16,076**	14,295	–	–	–	–	**653,312**	993,436
Eli Papouchado	Non-Executive Chairman	**200,000**	200,000	–	–	–	–	N/A	N/A	N/A	N/A	**200,000**	200,000
Kevin McAuliffe[5]	Non-Executive Deputy Chairman	**39,656**	100,000	–	–	–	–	N/A	N/A	N/A	N/A	**39,656**	100,000
Ken Bradley	Non-Executive Director[6]	**62,158**	59,900	–	–	–	–	N/A	N/A	N/A	N/A	**62,158**	59,900
Nigel Keen	Senior Independent Director	**61,300**	61,300	–	–	–	–	N/A	N/A	N/A	N/A	**61,300**	61,300
Stephanie Coxon	Non-Executive Director	**59,900**	59,900	–	–	–	–	N/A	N/A	N/A	N/A	**59,900**	59,900
Marcia Bakker	Non-Executive Director	**59,900**	2,568	–	–	–	–	N/A	N/A	N/A	N/A	**59,900**	2,568
		2,008,775	1,431,759	**472,500**	531,050	**67,201**	64,295	–	–	18,995	13,311	**2,567,471**	2,040,415

Notes

1 All fees are shown in GBP. Daniel Kos's salary is paid in EUR, and converted for comparison purposes at a rate of €1.15:£1.
2 Base salary / fees represent all amounts received by the Director from the Company for the financial year.
3 Greg Hegarty was elected to the Board on 23 May 2023. The remuneration included in the table above for 2023 is in respect of his total remuneration during 2023.
4 Greg Hegarty was appointed Co-CEO in February 2024 post balance sheet. His title reflects his title throughout FY 2023.
5 Kevin McAuliffe retired from the Board on 23 May 2023 at the Annual General Meeting. His fees are pro-rated accordingly.
6 Ken Bradley was appointed Non-Executive Deputy Chair in December 2023. His position throughout 2023 until that point was Non-Executive Director.

2023 annual bonus

The 2023 annual bonus was assessed against financial criteria and personal objectives, with success assessed 70% on financial metrics, 30% on non-financial metrics. Performance against the various measures was strong, with all the performance criteria deemed to have been achieved.

Financial metrics are revenue and gross operating profits. Non-financial metrics are guest satisfaction, employee engagement and ESG targets. Performance against the financial targets significantly exceeded the maximum target set. The non-financial targets were comprised of four individual targets, two of which were ESG related accounting for 15% of the total bonus. These targets including measurements relating to employees' well-being and overall satisfaction as well as measurements for reduced energy consumption and energy saving across the hotels. The Committee judged that the individual strategic and ESG measures had been met in full.

In 2023, the Group operated a modest annual bonus programme with a capped bonus potential well under the maximum amount permitted under the Remuneration Policy, with the annual bonus awarded to Executive Directors ranging from 28%-31% of the annual base salary. The CEO, Co-CEO and the CFO have each been awarded £157,000 as an overall 2023 annual bonus. No share awards have been awarded for 2023.

Stakeholder engagement

The Committee is obliged to consider shareholder interest in all remuneration matters. Additionally, it is good corporate practice to ensure that workforce engagement is included in determining the outcome of remuneration practice. We have set out in our table below the ratio of total CEO remuneration to those of the average employee, using quartile comparators.

The Remuneration Committee has engaged with shareholders and their representatives to review the outcome of the advisory vote at the Annual General Meeting. We have sought to understand where and why shareholder have chosen to withhold their votes or to vote against the acceptance of the 2022 Remuneration Report. As a result of this process, this report contains the following additional details:

- An explanation of the process of aligning executive remuneration to that of the wider workforce
- A year-on-year percentage change of remuneration
- Further information about the non-financial metrics by which bonus calculations are made

Approach to remuneration of newly appointed Director

Greg Hegarty's long service in the Executive Leadership Team means his remuneration package was established before his appointment to the Board, and the Committee takes the view that his remuneration should reflect the enhanced responsibilities as a Board Director. In order to ensure fairness, we have applied the same processes and reasoning to his remuneration as we have to the other Executive Directors, exercising discretion where necessary to ensure that transitional arrangements do not unfairly negatively affect his overall package, whilst continuing to abide by the principles we have laid out for the proper remuneration of Executive Directors in line with the Policy and the principles of transparent, fair and accountable Corporate Governance.

Salary of President & CEO compared with average workforce remuneration

	Total CEO remuneration	Average employee (25th percentile)	Average employee (50th percentile)	Average employee (75th percentile)
Total	£750,135	23,082	27,035	32,409
Ratio of CEO total to average employee		32:1	28:1	23:1

Additional disclosures –

Directors and Company Secretary share interests

	Shares beneficially owned as at 31 December 2022	Shares beneficially owned as at 31 December 2023	Options fully vested to acquire shares as at 31 December 2023	Conditional LTIP share awards subject to performance conditions: 2022 Award (vesting after 31 December 2024)	Conditional LTIP share awards subject to performance conditions: Total conditional LTIP awards
Boris Ivesha	4,636,974	4,636,974	–	–	–
Daniel Kos	4,308	30,000	25,000	22,000	22,000
Greg Hegarty	–	–	52,308	22,000	22,000
Eli Papouchado	13,760,260	13,760,260	–	–	–
Kevin McAuliffe	–	–	–	–	–
Ken Bradley	–	–	–	–	–
Nigel Keen	–	–	–	–	–
Stephanie Coxon	–	–	–	–	–
Marcia Bakker	–	–	–	–	–

- Shares beneficially owned include those of connected persons and include shares held in trust, which are subject to deferral or holding periods
- Total conditional LTIP awards include LTIP awards to Executive Directors representing the maximum number of shares that may vest under 2021, 2022 and 2023 LTIP awards based on the performance conditions associated with each award

Relative spend on pay

The following table shows the Group's aggregate actual spend on pay (for all employees) and dividends in respect of the current and previous financial year.

	2023	2022	Change
Dividend	11,896,668	1,277,865	831%
Aggregate employee remuneration	136,547,587	113,816,616	20%

Percentage change in remuneration

The following analysis summarises the annual change in remuneration for each individual Director over five years in comparison to the annual change in average employee remuneration.

	2020 vs 2019	2021 vs 2020[3]	2022 vs 2021	2023 vs 2022	2023 total
Director's remuneration					
Executive Directors					
Boris Ivesha[1]	(19%)	29%	2%	33%	£750,135
Greg Hegarty	N/A	N/A	N/A	N/A	£681,110
Daniel Kos[2]	3%	3%	164%	(34%)	£653,312
Non-Executive Directors					
Eli Papouchado	(25%)	33%	0%	0%	£200,000
Kevin McAuliffe[4]	(30%)	29%	0%	(60%)	£39,656
Ken Bradley[5]	133%	32%	8%	4%	£ 62,158
Nigel Keen[6]	N/A	54%	5%	0%	£61,300
Nigel Jones[7]	(69%)	(100%)	N/A	N/A	N/A
Stephanie Coxon[8]	N/A	218%	8%	0%	£59,900
Dawn Morgan[9]	(51%)	(100%)	N/A	N/A	N/A
Marcia Bakker[10]	N/A	N/A	N/A	N/A	£59,900

Notes to the table:

1. Boris Ivesha waived his rights for annual bonus in years 2019-2022.
2. In 2022, the annual bonus of the CFO included a 23,000 Share Award.
3. In 2020, under Pandemic conditions, the directors sacrificed a portion of their salary and were not entitled to variable benefits.
4. Kevin McAuliffe retired from the Board at the AGM on 17 May 2023.
5. Ken Bradley was appointed to the Board on 4 September 2019.
6. Nigel Keen was appointed to the Board on 20 February 2020.
7. Nigel Jones retired from the Board on 19 May 2020.
8. Stephanie Coxon was appointed to the Board on 7 August 2020.
9. Dawn Morgan resigned from the Board on 30 September 2020.
10. Marcia Bakker was appointed to the Board on 6 December 2022.

Payments to past Directors

Kevin McAuliffe retired as a Director at the Annual General Meeting held on 17 May 2023.

Payments for loss of office

There were no payments for loss of office during the year.

Annual General Meeting voting

At last year's Annual General Meeting, the following votes were received on the resolution to receive and consider the Directors' Report on Remuneration for the year ended 31 December 2022.

	Votes	%
Votes For	24,141,922	92.92%
Votes Against	1,709,611	7.08%
Votes Withheld	3,096	
Total Votes	25,854,602	

The Committee was pleased with the level of support received for our Remuneration Report and Directors' Remuneration Policy. As always, we are committed to taking into consideration the views of our shareholders each year in our approach to and disclosure of remuneration.

Remuneration Committee and advisors

The President and Chief Executive Officer and the Company Secretary attended Committee meetings at the invitation of the Committee Chair (but were not present for discussions on their own remuneration).

The members of the Committee have no financial interest and no potential conflicts of interest, other than as shareholders, in the matters to be decided and no day-to-day involvement in the running of the business.

In carrying out its duties, the Committee considers any relevant legal requirements, the recommendations in the UK Corporate Governance Code and the Listing Rules of the London Stock Exchange and associated guidance and investor guidelines on executive remuneration. In 2023, the Committee did not seek external support from remuneration consultants or advisers.

The Board approves the remuneration of the Non-Executive Directors.

Directors' Report

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2023.

The Strategic Report and Directors' Report together are the Management Report for the purposes of Rule 4.1.8R of the DTR. Section 248(2) of The Companies (Guernsey) Law, 2008 requires the principal activities to be stated in the Directors' Report. 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	5
Principal risks and uncertainties	Risk Management	84
Strategy	Strategic Report	5
Business model	Strategic Report	15
Important events impacting the business	Strategic Report – Chairman's Statement, CEO's statement	16
Likely future developments	Strategic report	5
Financial key performance indicators	Key performance indicators	38
Non-financial key performance indicators	Environmental, Social and Governance	66
Environmental matters	Environmental, Social and Governance, Task Force on Climate-Related Financial Disclosures (TCFD)	66 to 83
Company's employees	Stakeholder Engagement and Environmental, Social and Governance	62 to 79
Social, community and human rights issues	Stakeholder Engagement and Environmental, Social and Governance	62 to 79
S172 and relationship with suppliers, customers and others	Stakeholder Engagement and Introduction to Governance	99
Greenhouse Gas Emissions	Task Force on Climate-Related Financial Disclosures (TCFD)	80
Directors' induction and training	Nomination Committee Report	119

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

Diversity report of Board membership (ethnicity and gender)	Nomination Committee Report	121

Appointment and replacement of Directors

Pursuant to the Articles, the Board has the power to appoint any person to be a Director. All Directors are required to submit to annual election by shareholders at the Annual General Meeting. At every Annual General Meeting, a minimum of one-third of the Directors (or the number nearest to and less than one-third in the event that the number of Directors is not three or any multiple of three) shall retire from office. If there are fewer than three Directors on the board, they shall all retire. 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 10 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 UK and Guernsey legislation (for example The Companies (Guernsey) Law, 2008, the Listing Rules and the Takeover Code (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 143 shows shareholders holding 5% or more of the issued share capital (excluding treasury shares) as at 19 January 2024. 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 5th February 2024.

Number of issued shares	44,347,410
Shares held in treasury by the Group	1,984,110
Number of issued shares (excluding treasury)	42,363,300

Concert Party member	**Number of Ordinary Shares**	**Percentage of the issued Ordinary Share capital (excluding treasury shares)**
Boris Ivesha:	4,636,974	10.95%
Red Sea Parties:		
Euro Plaza	12,207,843	28.82%
Red Sea Club Limited	22,417	0.05%
AA Papo Trust Company Limited[1]	1,530,000	3.61%
Total	**18,397,234**	**43.43%**

1 A.A. Papo Trust Company Limited is the trustee of a second endowment created by Eli Papouchado under Israeli law in 2008. Eli Papouchado was the owner of these 1,530,000 Ordinary Shares and granted those shares to the second endowment in 2015. The primary beneficiary of the second endowment is Eli's daughter, Eliana, and the secondary beneficiaries are Eli Papouchado and his divorcee, Sigal Gross.

Shareholder	Number of Ordinary Shares	Percentage of the issued Ordinary Share capital (excluding treasury shares)
Aroundtown Property Holdings	4,344,788	10.26%
Clal Insurance Enterprises Holdings	3,493,945	8.25%
Harel Insurance Investments and Financial Services	2,961,757	6.99%

Controlling shareholders

The Company's immediate controlling shareholders are Euro Plaza Holdings B.V. and Boris Ivesha. Euro Plaza is ultimately controlled by Eli Papouchado, acting in his capacity as trustee of an endowment created under Israeli law ('the Endowment'). 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) Boris Ivesha, 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 and Boris Ivesha or his previous shareholding vehicles since admission.

In accordance with the relationship agreements entered into the Company's controlling shareholders, each of Euro Plaza and Boris Ivesha 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 act as representative for these purposes.

DTR disclosures

Eli Papouchado is deemed to be interested in 13,760,260 ordinary shares, which constitutes 32.47% 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 holds 4,636,974 ordinary shares, which constitutes 10.95% of the issued share capital (excluding treasury shares) of the Company.

Eli Papouchado, Euro Plaza, APY and A.A. Papo Trust Company Limited and other parties related to him (together the 'Red Sea Parties') and 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.

Rule	Disclosure
DTR 4.1.11R(6)	Note 29 of the Consolidated Financial Statements sets out the financial risk on page 196.
DTR 4.1.11R(1)	Important post-balance sheet events are included in Note 30 of the Consolidated Financial Statements on page 201.
DTR 4.1.11R(2)	Likely future developments are referenced in the Strategic Report.
DTR 4.1.11R(5)	The worldwide operations of the Company are shown on pages 8 and 9.
DTR 7.2.8	Pursuant to DTR 7.2.8, the annual review of the Board Diversity Policy is found in the report of the Nomination Committee at page 121.

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 140. There have been no changes in the interests of each Director in the period between the end of the financial year and 5 February 2024.

Share repurchase

At the AGM held on 23 May 2023, the Company obtained shareholder authorisation for the buy-back of up to 2,235,876 ordinary shares of nil par value, being approximately 10% of the issued share capital of the Company (Buy-Back Authority). This authority renewed and replaced the authority granted at the AGM held on 17 May 2022. The Buy-Back Authority will expire 15 months after the resolution was passed on 23 May 2023 unless modified or terminated earlier by shareholder vote at a General Meeting. The buy-back programme announced on 29 June 2022 and extended on 18 November 2022 concluded on 7 March 2023. During the period 1 January to 7 March 2023 a total of 138,611 shares were purchased.

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	Consolidated financial statements note: 11.
10	Contracts of significance	Consolidated financial statements note: 12.
11	Provision of services by a controlling shareholder	Consolidated financial statements note: 28.
14	Controlling shareholder statement	Directors' report

UK Streamlined Energy and Carbon Reporting

In line with market practice for UK listed businesses, our Streamlined Energy and Carbon Reporting, UK Scope 1, Scope 2 and Scope 3 emissions, intensity ratio and yearly comparisons are provided in the TCFD Report at page 80, including information as to quantification and reporting methodology.

Energy efficiency action

For energy efficiency actions, please see the ESG section (including the TCFD Report) on pages 80 to 84.

TCFD

The Company has included in its annual financial report climate-related financial disclosures consistent with the TCFD Recommendations and Recommended Disclosures. Additional disclosures are made in a standalone TCFD Report published on the company's website. Additional details pertaining to metrics and targets and intensity ratios are published in the standalone document. The standalone TCFD report contains substantial detail on carbon emissions in each separate country of operation which are summarised in this document as emissions for the consolidated group as a whole.

Auditors

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, have acted as auditors in the 2023 financial year before the issue of a new audit tender. The Audit Tender process is described in the report of the Audit Committee on page 122. The tender process is in line with the requirements set out in the Financial Reporting Council's document "Audit Committees and the External Audit: Minimum Standard" which was published in 2023. The process requires the Audit Committee to make a recommendation to the Board. The re-appointment or new appointment of an audit firm will be included in the agenda of the Company's Annual General Meeting, and announced in due course.

Going concern

The Board has an obligation under the Code to state whether it believes that the Company and the Group will be able to continue in operation and meet their liabilities as they fall due over a specified period determined by the Board, taking account of the current position and the principal risks of the Company and the Group. The Board believes it is taking all appropriate steps to support the sustainability and growth of the Group's activities The Viability Statement on page 94 and the report of the Audit Committee contain the necessary information to determine viability over a three-year time horizon.

In determining the assumptions used in cash flow forecasts, the Directors considered various third party market predictions and considered the current principal and emerging risks facing the Group while focusing specifically on macro-economic market disruptions and inflation, and the impact this could have on future performance and liquidity of the Group.

Based on these cash flow forecasts, the Directors confirm they have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements.

This, taken together with their conclusions in Note 1 to the consolidated financial statements, has led the Directors to conclude that it is appropriate to prepare the 2023 consolidated financial statements on a going concern basis.

Financial risk management objectives and policies

In addition, Note 29 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 judgements 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 98 and 99 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
28 February 2024

Daniel Kos
Chief Financial Officer & Executive Director
28 February 2024

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 2023, 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 accounting policy information.

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 2023 and of its financial performance and its cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), including the UK FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the key matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters 2023

Decentralised operations

As discussed in Notes 1(b) and 27 to the consolidated financial statements, the Group comprises more than 100 legal entities, grouped in four reportable segments. The geographical decentralised structure, multiplicity of IT systems and number of Group entities (components) increase the complexity of the Group's control environment and thus affects our ability as Group auditor to obtain an appropriate level of understanding of these components. Also, in our role as Group auditor, it is essential that we obtain an appropriate level of understanding of the significant components in the Group and the audit work performed by the component's auditors.

How our audit addressed the matter

We have evaluated the Group's internal controls, including the centralised monitoring controls that exist at both Group and segment level. The Group has developed an internal control framework with control activities that are required to be implemented by the components. Management continually reviews its systems and procedures for improvements and harmonisation across the Company.

During our audit, we have specifically focused on risks in relation to the decentralised structure and, as a result, we have extended our involvement in audit work performed by the components' auditors. Among other audit procedures, we organised site visits, meetings and conference calls with components' auditors. We have also requested components' auditors to specifically address certain risks and attention areas defined at Group level, by requiring all teams to perform specific audit procedures in order to ensure a consistent approach in areas that were deemed most relevant from a Group audit perspective to mitigate the risks identified by the Group auditor. We also performed tests on consolidation adjustments and manual journal entries, at both Group and component level to obtain an understanding of significant entries made.

Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the Audit Committee for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude, on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and Regulatory Requirements:

Pursuant to Section 9.8.10 (1) and (2) of the Listing Rules of the Financial Conduct Authority, we were engaged to review management's statement pursuant to Section 9.8.6 R (6) of the Listing Rules of the Financial Conduct Authority that relate to provisions 6 and 24 to 29 of the UK Corporate Governance Code and the Management Board's statement pursuant to Section 9.8.6 R (3) of the Listing Rules in the United Kingdom in the financial year 2023 included in the 'Viability statement' on page 94 and in the section 'Going concern' on page 145. We have no exceptions to report.

The partner in charge of the audit resulting in this independent auditors' report is Itsik Morovits.

ITSIK MOROVITS
(For and on behalf of Kost Forer Gabbay & Kasierer, member of Ernst & Young Global)
Tel Aviv, Israel

28 FEBRUARY 2024

Consolidated Statement of Financial Position for the year ended 31 December 2023

	Note	As at 31 December 2023 £'000	2022 £'000
Assets			
Non-current assets:			
Intangible assets	3	**10,665**	12,805
Property, plant and equipment	4	**1,412,830**	1,335,184
Right-of-use assets	17	**229,215**	225,443
Investment in joint ventures	5	**5,438**	4,961
Other non-current assets	6	**39,646**	47,245
Restricted deposits and cash	12(b)	**10,385**	9,272
Deferred income tax asset	25	**13,833**	12,909
		1,722,012	1,647,819
Current assets:			
Restricted deposits and cash	12(b)	**6,909**	9,229
Inventories		**3,288**	3,181
Trade receivables	7	**17,880**	18,533
Other receivables and prepayments	8	**23,260**	17,866
Cash and cash equivalents	9	**150,416**	163,589
		201,753	212,398
Total assets		**1,923,765**	1,860,217

	Note	As at 31 December 2023 £'000	2022 £'000
Equity and liabilities			
Equity:	10		
Issued capital		**–**	–
Share premium		**133,469**	133,177
Treasury shares		**(6,873)**	(5,472)
Foreign currency translation reserve		**13,903**	20,039
Hedging reserve		**7,801**	10,950
Accumulated earnings		**166,281**	156,364
Attributable to equity holders of the parent		**314,581**	315,058
Non-controlling interests		**216,592**	188,187
Total equity		**531,173**	503,245
Non-current liabilities:			
Borrowings	13	**845,199**	817,631
Provision for concession fee on land	14	**5,233**	5,331
Financial liability in respect of Income Units sold to private investors	15	**114,287**	121,084
Other financial liabilities	16	**280,200**	265,494
Deferred income taxes	25	**5,878**	5,922
		1,250,797	1,215,462
Current liabilities:			
Trade payables		**14,809**	13,565
Other payables and accruals	18	**79,149**	80,844
Borrowings	13	**47,837**	47,101
		141,795	141,510
Total liabilities		**1,392,592**	1,356,972
Total equity and liabilities		**1,923,765**	1,860,217

The accompanying notes are an integral part of the consolidated financial statements. Date of approval of the financial statements: 28 February 2024. 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 2023

	Note	As at 31 December 2023 £'000	2022 £'000
Revenues	19	**414,598**	330,091
Operating expenses	20	**(284,090)**	(233,087)
EBITDAR		**130,508**	97,004
Rental expenses	17	**(2,332)**	(2,421)
EBITDA		**128,176**	94,583
Depreciation and amortisation	3, 4, 17	**(45,068)**	(40,006)
EBIT		**83,108**	54,577
Financial expenses	21	**(36,145)**	(37,257)
Financial income	22	**4,758**	1,516
Other expenses	23(a)	**(13,046)**	(6,791)
Other income	23(b)	**4,416**	9,992
Net expenses for financial liability in respect of Income Units sold to private investors	24	**(14,156)**	(10,783)
Share in results of joint ventures	5	**(113)**	202
Profit before tax		**28,822**	11,456
Income tax (expense) benefit	25	**(1,677)**	3,356
Profit for the year		**27,145**	14,812
Profit attributable to:			
Equity holders of the parent		**22,415**	10,159
Non-controlling interests		**4,730**	4,653
		27,145	14,812
Basic and diluted profit per share (in Pound Sterling)	26	**0.53**	0.24

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

	As at 31 December	
	2023 £'000	2022 £'000
Profit for the year	**27,145**	14,812
Other comprehensive income (loss) to be recycled through profit and loss in subsequent periods:[1]		
Profit (loss) from cash flow hedges	**(5,007)**	21,133
Foreign currency translation adjustments of foreign operations	**(8,463)**	22,000
Other comprehensive income (loss)	**(13,470)**	43,133
Total comprehensive income	**13,675**	57,945
Total comprehensive income (loss) attributable to:		
Equity holders of the parent	**13,812**	37,732
Non-controlling interests	**(137)**	20,213
	13,675	57,945

1 There is no other comprehensive income that will not be reclassified to the profit and loss in subsequent periods.

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2023

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 2023	**–**	**133,177**	**(5,472)**	**20,039**	**10,950**	**156,364**	**315,058**	**188,187**	**503,245**
Profit for the year	–	–	–	–	–	**22,415**	**22,415**	**4,730**	**27,145**
Other comprehensive income (loss) for the year	–	–	–	**(6,027)**	**(2,576)**	–	**(8,603)**	**(4,867)**	**(13,470)**
Total comprehensive income (loss)	–	–	–	**(6,027)**	**(2,576)**	**22,415**	**13,812**	**(137)**	**13,675**
Share-based payments	–	**442**	–	–	–	**93**	**535**	**87**	**622**
Share buy-back	–	–	**(1,621)**	–	–	–	**(1,621)**	–	**(1,621)**
Dividend distribution[2]	–	–	–	–	–	**(11,897)**	**(11,897)**	–	**(11,897)**
Dividend distribution by a subsidiary	–	–	–	–	–	–	–	**(1,436)**	**(1,436)**
Exercise of options	–	**(150)**	**220**	–	–	–	**70**	–	**70**
Transactions with non-controlling interests (see Note 5)	–	–	–	**(109)**	**(573)**	**(694)**	**(1,376)**	**29,891**	**28,515**
Balance as at 31 December 2023	**–**	**133,469**	**(6,873)**	**13,903**	**7,801**	**166,281**	**314,581**	**216,592**	**531,173**
Balance as at 1 January 2022	–	131,229	(3,482)	3,806	(434)	147,350	278,469	168,742	447,211
Profit for the year	–	–	–	–	–	10,159	10,159	4,653	14,812
Other comprehensive income for the year	–	–	–	16,191	11,382	–	27,573	15,560	43,133
Total comprehensive income	–	–		16,191	11,382	10,159	37,732	20,213	57,945
Share-based payments	–	2,056	–	–	–	–	2,056	81	2,137
Share buy-back	–	–	(2,098)	–	–	–	(2,098)	–	(2,098)
Dividend distribution[2]	–	–	–	–	–	(1,278)	(1,278)	–	(1,278)
Exercise of options		(108)	108	–	–	–	–	–	–
Transactions with non-controlling interests (see Note 5)	–	–	–	42	2	133	177	(849)	(672)
Balance as at 31 December 2022	–	133,177	(5,472)	20,039	10,950	156,364	315,058	188,187	503,245

1 No par value.
2 The dividend distribution comprises a final dividend for the year ended 31 December 2022 of 12.0 pence per share (31 December 2021: nil pence per share) and an interim dividend of 16.0 pence per share paid in 2023 (2022: 3.0 pence per share).

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2023

	Note	As at 31 December 2023 £'000	2022 £'000
Cash flows from operating activities:			
Profit for the year		**27,145**	14,812
Adjustment to reconcile profit to cash provided by operating activities:			
Financial expenses and expenses for financial liability in respect of Income Units sold to private investors	21,24	**50,301**	48,040
Financial income	22	**(4,758)**	(1,516)
Income tax expense (benefit)	25	**1,677**	(3,356)
Loss on buy-back of Income Units sold to private investors	23	**3,266**	1,499
Re-measurement of lease liability	23	**3,852**	3,704
Revaluation of Park Plaza County Hall London Units	23	**(1,600)**	(300)
Capital loss on sale of fixed assets, net	23	**29**	47
Share in results of joint ventures	5	**113**	(202)
Share appreciation rights revaluation	23, 5(b)(i)	**(2,816)**	119
Fair value movement derivatives through profit and loss	23	**4,553**	(9,692)
Depreciation and amortisation	3, 4, 17	**45,068**	40,006
Share-based payments		**622**	2,137
		100,307	80,486
Changes in operating assets and liabilities:			
Increase in inventories		**(152)**	(1,228)
Increase in trade and other receivables		**(1,803)**	(16,118)
Increase in trade and other payables		**1,795**	20,772
		(160)	3,426
Cash paid and received during the period for:			
Interest paid		**(50,104)**	(43,520)
Interest received		**3,721**	1,728
Taxes paid		**(2,558)**	(311)
Taxes received		**–**	87
		(48,941)	(42,016)
Net cash provided by operating activities		**78,351**	56,708
Cash flows from investing activities:			
Investments in property, plant and equipment	4	**(115,090)**	(90,870)
Investments in intangible assets	3	**(779)**	(386)
Loan to joint venture		**(888)**	(403)
Decrease (increase) in restricted cash		**960**	(4,695)
Net cash used in investing activities		**(115,797)**	(96,354)

	Note	As at 31 December 2023 £'000	2022 £'000
Cash flows from financing activities:			
Proceeds from loans and borrowings		**65,265**	106,879
Buy-back of Income Units previously sold to private investors		**(5,609)**	(4,887)
Interest rate cap	29(a)	**(4,080)**	–
Dividend payment		**(11,897)**	(1,278)
Dividend payment by a subsidiary to non-controlling shareholders		**(1,436)**	–
Repayment of loans and borrowings		**(31,717)**	(31,087)
Repayment of leases		**(4,095)**	(4,890)
Net proceeds from transactions with non-controlling interest		**21,471**	(672)
Purchase of treasury shares		**(1,621)**	(2,098)
Exercise of options settled in cash		**70**	–
Net cash provided by financing activities		**26,351**	61,967
Increase (decrease) in cash and cash equivalents		**(11,095)**	22,321
Net foreign exchange differences		**(2,078)**	4,466
Cash and cash equivalents at beginning of year		**163,589**	136,802
Cash and cash equivalents at end of year		**150,416**	163,589
Non-cash items:			
Lease additions and lease re-measurement		**11,166**	14,499
Outstanding payable on investments in property, plant and equipment		**13,934**	5,786
Receivables in respect of transaction with non-controlling interests		**7,044**	–

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements for the year ended 31 December 2023

Note 1 General

The consolidated financial statements of PPHE Hotel Group Limited (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2023 were authorised for issuance in accordance with a resolution of the Directors on 28 February 2024.

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.

a. 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.

b. Assessment of going concern and liquidity:

As part of their ongoing responsibilities, the Directors have recently undertaken a thorough review of the Group's cash flow forecast and potential liquidity risks. Detailed budgets and cash flow projections, which take into account the current trading environment and the industry-wide cost pressures, have been prepared for 2024 and 2025, and show that the Group's hotel operations are expected to be cash generative during this period. Furthermore, under those cash flow projections it is expected that the Group will comply with its loan covenants. Having reviewed those cash flow projections, the Directors have determined that the Company is likely to continue in business for at least 12 months from the date of approval of the consolidated financial statements.

Note 2 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 2023 and 2022 are set out below. These accounting policies have been consistently applied to the periods presented, except where otherwise indicated.

b. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

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 at that time to private investors under 999-year lease agreements. The sales transactions are accounted for as a transaction 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) (see more details in Note 2(e)).

Management applied the following professional judgment in determining the accounting treatment for the amounts received upfront.

As the liability to pay future cash flows includes a component that is based on the future net operating income (NOI) generated by the room, management considered whether this component meets the definition in IFRS 9 of an embedded derivative which needs to be accounted for separately. According to IFRS 9, if the changes in value arise from a non-financial variable that is specific to a party to the contract, then the component does not meet the definition of a derivative. As the NOI is generated by a specific room and the NOI can be affected by non-financial factors, management concluded that this component does not meet the definition of an embedded derivative.

Based on its analysis of IFRS 9 and relevant professional publications, management considers a floating-rate liability as an instrument with variable cash flow amounts arising from changes in market variables. Due to the variability of the periodic NOI cash flows, which reflect primarily market conditions such as occupancy and the price charged for the room, management views the liability in respect of Income Units as a floating-rate financial liability. Pursuant to IFRS 9. B5.4.5 in respect of floating-rate financial instruments, changes in future estimated cash flows from the Income Units are recognised prospectively in the period in which they occur. As the Company is not exposed to any risk nor receives any benefit in respect of future changes in NOI, management is of the view that the application of IFRS 9.B5.4.5 is the appropriate accounting treatment. It also reflects the economics of the transaction with the investors in the Income Units.

Estimates and assumptions

Management did not identify any critical estimates included in the Group's consolidated financial statements for which there is a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

c. 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.

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	
	2023 In Pound Sterling	2022 In Pound Sterling
Euro	**0.869**	0.885
Hungarian Forint	**0.002**	0.002
US Dollar	**0.786**	0.830

Percentage increase (decrease) in exchange rates at year end compared to the previous year:

	As at 31 December	
	2023 In % versus Pound Sterling	2022 In % versus Pound Sterling
Euro	**(1.8)**	5.6
Hungarian Forint	**2.8**	(3.5)
US Dollar	**(5.2)**	12.2

d. 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

e. 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 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.

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 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables and loans to joint ventures.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets 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 and Income Units (Note 6).

Impairment of financial assets
For trade receivables the Group applies a simplified approach in calculating the expected credit loss (ECL). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, as measured at amortised cost (loans and borrowings and payables) or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

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 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 at that time to private investors under 999-year lease agreements. The sales transactions are accounted for as a transaction 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 pursuant to IFRS 9. B5.4.5 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 prospectively in the period in which they occur. Since November 2014, the Company has bought back 52 Income Units from private investors. Upon buy-back of a unit, the financial liability relating to that unit is derecognised and any difference between the purchase price and the liability derecognised is recorded in profit and loss.

The entire hotel is accounted for at cost less accumulated depreciation.

The replacement costs for the Income Units are fully reimbursed by the private investors. An amount of 4% of revenues is paid by the investors on an annual basis ('FF&E reserve') and is accounted for in profit and loss. The difference between the actual depreciation cost and the FF&E reserve is a timing difference which is recorded in the statement of financial position as a receivable or liability to the investor in each respective year.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

f. 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.

g. Derivative financial instruments and hedge accounting
The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument in a cash flow hedge is recognised directly in other comprehensive income, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised.

h. 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.

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.

Campsites and mobile homes
Revenues are primarily derived from short-term rentals of campsite pitches and mobile homes operated under the Group's brand names. Revenue is recognised when campsite pitches and/or mobile homes are occupied.

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 and reservation fees
Franchise and reservation 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 and reservation 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 Radisson Hotel Group for the award credits purchased and granted to customers. The customers are entitled to utilise the awards as soon as they are granted.

The Group purchases these award credits from Radisson Hotel Group and issues these to its customers in order to enhance its customer relationships rather than to earn a margin from the sale of these award credits. The Group concluded that it is acting as principal in this transaction and, in substance, is earning revenue from supplying these awards to its customers. The Group measures these revenues at fair value and recognises these gross from the costs of participating in the programme.

Contract balances

Trade receivables-contract assets

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).

Advance payments received – 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.

i. Alternative Performance Measures

EBITDAR

Earnings before interest (Financial income and expenses), tax, depreciation and amortisation, impairment loss, rental expenses, share in results of joint ventures and exceptional items presented as other income and expense.

EBITDA

Earnings before interest (Financial income and expenses), tax, depreciation and amortisation, impairment loss, share in results of joint ventures and exceptional items presented as other income and expense.

EBIT

Earnings before interest (Financial income and expenses), tax, share in results of joint ventures and exceptional items presented as other income and expense.

j. Leases

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

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

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 the expected payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

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. 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 16).

Variable lease payments that depend on an index or rate:

On the commencement date, the Company uses the index or 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 or rate (including changes following a market rent review) 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 or rate (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 rent 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.

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.

k. 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 11.

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.

l. 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.

m. 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.

n. Taxation

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 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 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.

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.

o. 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.

p. 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 2023. Several other amendments and interpretations apply for the first time in 2023, 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.

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements 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 have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its annual revenues are less than €750 million.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less than €750 million/year.

q. Standards issued but not yet applied

Standards issued but not yet effective, or subject to adoption by the European Union, up to the date of issuance of the consolidated financial statements are listed below. This listing of standards issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become mandatory.

The following standards have been issued by the IASB and are not yet effective or are subject to adoption by the European Union:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, 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
- 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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within 12 months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates

In August 2023, the IASB issued 'Amendments to IAS 21: Lack of Exchangeability (Amendments to IAS 21, "The Effects of Changes in Foreign Exchange Rates")' ('the Amendments') to clarify how an entity should assess whether a currency is exchangeable and how it should measure and determine a spot exchange rate when exchangeability is lacking.

The Amendments set out the requirements for determining the spot exchange rate when a currency lacks exchangeability. The Amendments require disclosure of information that will enable users of financial statements to understand how a currency not being exchangeable affects or is expected to affect the entity's financial performance, financial position and cash flows.

The Amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier adoption is permitted.

The Company believes that the Amendments are not expected to have a material impact on its consolidated financial statements.

Note 3 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 2023	**21,195**	**21,667**	**3,849**	**3,859**	**50,570**
Additions	**–**	**–**	**–**	**771**	**771**
Reclassification	**–**	**–**	**–**	**(58)**	**(58)**
Adjustment for exchange rate differences	**(390)**	**(399)**	**(72)**	**(71)**	**(932)**
Balance as at 31 December 2023	**20,805**	**21,268**	**3,777**	**4,501**	**50,351**
Accumulated amortisation:					
Balance as at 1 January 2023	**16,393**	**16,827**	**2,226**	**2,319**	**37,765**
Amortisation	**1,048**	**1,055**	**189**	**391**	**2,683**
Reclassification	**–**	**–**	**–**	**(58)**	**(58)**
Adjustment for exchange rate differences	**(302)**	**(311)**	**(41)**	**(50)**	**(704)**
Balance as at 31 December 2023	**17,139**	**17,571**	**2,374**	**2,602**	**39,686**
Net book value as at 31 December 2023	**3,666**	**3,697**	**1,403**	**1,899**	**10,665**
Cost:					
Balance as at 1 January 2022	20,063	20,510	3,643	3,291	47,507
Additions	–	–	–	386	386
Disposals	–	–	–	(15)	(15)
Adjustment for exchange rate differences	1,132	1,157	206	197	2,692
Balance as at 31 December 2022	21,195	21,667	3,849	3,859	50,570
Accumulated amortisation:					
Balance as at 1 January 2022	14,507	14,909	1,925	1,876	33,217
Disposals	–	–	–	(15)	(15)
Amortisation	1,029	1,037	185	340	2,591
Adjustment for exchange rate differences	857	881	116	118	1,972
Balance as at 31 December 2022	16,393	16,827	2,226	2,319	37,765
Net book value as at 31 December 2022	4,802	4,840	1,623	1,540	12,805

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 3.5 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 3.5 years.

b. Acquisition of art'otel® rights

In 2007, the Group acquired from CCS Capital Concept Services Gmbh (the 'vendor') the worldwide rights to use the art'otel® brand name for an unlimited period of time. The rights are being amortised over a 20-year period based on management's estimation of their useful life. The remaining amortisation period is 3.5 years. In December 2020, the Group acquired certain rights which were assigned to the vendor under the original agreement for a cash consideration of €0.3 million (£0.2 million) and 80,000 shares of the Company. The additional rights are amortised based on management's estimation of their useful life.

c. Other intangible assets

These mainly include the brand name and internal domain obtained in the acquisition of Arena, which are being amortised over 20 years based on management's estimation of their useful life, and software which are amortised over 4 years.

d. Impairment

In 2023, there were no indicators of impairment.

Note 4 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 2023	**362,830**	**779,763**	**154,027**	**134,719**	**222,883**	**1,654,222**
Additions during the year	**–**	**23,289**	**91,209**	**1,276**	**9,800**	**125,574**
Disposal	**–**	**(423)**	**–**	**–**	**(399)**	**(822)**
Buy-back of Income Units sold to private investors	**873**	**6,316**	**–**	**(7,847)**	**658**	**–**
Reclassification[2]	**–**	**9,607**	**(11,992)**	**–**	**2,217**	**(168)**
Adjustment for exchange rate differences	**(5,358)**	**(7,872)**	**(357)**	**–**	**(1,786)**	**(15,373)**
Balance as at 31 December 2023	**358,345**	**810,680**	**232,887**	**128,148**	**233,373**	**1,763,433**
Accumulated depreciation and impairment:						
Balance as at 1 January 2023	**17,099**	**125,289**	**–**	**23,765**	**152,885**	**319,038**
Provision for depreciation	**321**	**18,487**	**–**	**1,181**	**15,219**	**35,208**
Disposal	**–**	**(420)**	**–**	**–**	**(352)**	**(772)**
Reclassification	**–**	**915**	**–**	**–**	**(1,083)**	**(168)**
Buy-back of Income Units sold to private investors	**–**	**878**	**–**	**(1,417)**	**539**	**–**
Adjustment for exchange rate differences	**(509)**	**(1,260)**	**–**	**–**	**(934)**	**(2,703)**
Balance as at 31 December 2023	**16,911**	**143,889**	**–**	**23,529**	**166,274**	**350,603**
Net book value as at 31 December 2023	**341,434**	**666,791**	**232,887**	**104,619**	**67,099**	**1,412,830**
Cost:						
Balance as at 1 January 2022	348,614	717,296	45,725	137,902	268,129	1,517,666
Additions during the year	–	13,337	72,856	623	8,050	94,866
Disposal	–	(94)	–	–	(372)	(466)
Buy-back of Income Units sold to private investors	427	3,082	–	(3,806)	297	–
Reclassification[2]	(22)	24,119	33,985	–	(58,082)	–
Adjustment for exchange rate differences	13,811	22,023	1,461	–	4,861	42,156
Balance as at 31 December 2022	362,830	779,763	154,027	134,719	222,883	1,654,222
Accumulated depreciation and impairment:						
Balance as at 1 January 2022	15,669	106,255	–	23,237	136,505	281,666
Provision for depreciation	316	15,420	–	1,190	13,936	30,862
Disposal	–	(94)	–	–	(325)	(419)
Reclassification	–	15	–	–	(15)	–
Buy-back of Income Units sold to private investors	–	402	–	(662)	260	–
Adjustment for exchange rate differences	1,114	3,291	–	–	2,524	6,929
Balance as at 31 December 2022	17,099	125,289	–	23,765	152,885	319,038
Net book value as at 31 December 2022	345,731	654,474	154,027	110,954	69,998	1,335,184

1 This includes 459 rooms (2022: 483) 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(e)). The proceeds from the purchases have been accounted for as a variable rate financial liability (see Note 15).

2 In 2023 the reclassification mainly relates to the completion of the construction of art'otel Zagreb and the refurbishment of Park Plaza Budapest. In 2022 the amount mainly includes a reclassification of c.£64.2 million from Furniture, fixtures and equipment to Property & assets under construction on account of additions that relate to the construction of art'otel London Hoxton until December 2021 and a reclassification of c.£30.0 million due to the completion of the construction of Grand Hotel Brioni Pula from Property & assets under construction to Furniture, fixtures and equipment and Hotel buildings.

a. **For information regarding liens, see Note 12**

b. **Impairment**

In 2023, there were no indicators for impairment.

c. **Capitalised borrowing costs**

On 7 April 2020, the Group entered into a building contract to develop art'otel London Hoxton on a site located by Old Street, Rivington Street, Great Eastern Street and Bath Place, London EC1, which is expected to be completed in H1 2024 (see Note 28(c)(i)). The cumulative expenditure for this project as at 31 December 2023 was £199.8 million (2022: £125.4 million). The amount of borrowing costs capitalised related to this project during the year ended 31 December 2023 was £8.1 million (2022: £3.5 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was 5.2%, which is the effective interest rate of the specific borrowing.

Additional borrowing costs were capitalised as part of the refurbishment of the property in Rome Italy which is expected to reopen in H1 2024. The amount of borrowing costs capitalised related to this project during the year ended 31 December 2023 was €0.9 million (£0.8 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.8%, which is the effective interest rate of the specific borrowing.

Note 5 Investment in joint ventures and subsidiaries with significant non-controlling interests

a. **Investment in joint ventures**

	As at 31 December	
	2023 £'000	2022 £'000
Loans to joint ventures[1]	**6,515**	5,573
Share of net assets under equity method	**(1,077)**	(612)
Investment in joint ventures	**5,438**	4,961

1 The loans to joint ventures amount includes a euro loan bearing an interest of Euribor +2.5% per annum.

The share in net profit amounts to £113 thousand (2022: net loss of £202 thousand).

b. **Summarised financial information of subsidiary with material non-controlling interests**

(i) Signature Top Ltd

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 357-room art'otel London Hoxton development project ('Hoxton'), which is scheduled to open in 2024.

As part of this agreement, Clal was granted five 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 internally at an amount of £2.7 million (2022: £5.5 million) using the Black–Scholes model and is included in current liabilities under Other payables and accruals in the Group's consolidated balance sheet. The following lists the inputs used for the fair value measurement:

Dividend yield	3.138%
Expected volatility of the share price	24.82%
Risk-free interest rate	3.657%
Years to expiration	4.5 years

During the reporting period, the expected construction costs of art'otel London Hoxton have increased mainly due to the interest to be incurred throughout the construction phase. On 27 April 2023, both the Group and Clal mutually agreed that the sharing of these cost referred to above with a cap of £25.7 million, which is the expected amount of the overruns, would be funded by 65% from the Group and 35% from Clal. In 2023 the parties contributed £16.0 million. The excess consideration of £2.2 million paid by the Group was recognised as a reduction in the equity of the parent company. The Group has chosen to recognise this amount in accumulated earnings.

As at 31 December 2023, the Group owned 51% (2022: 51%) of Signature Top Ltd. The amount of accumulated non-controlling interests as at 31 December 2023 amounts to £98,518 thousand (2022: £89,393 thousand) and the income and comprehensive income allocated to the non-controlling interests in 2023 amounts to £3,449 thousand (2022: £2,465 thousand) and £1,281 thousand (2022: £12,077 thousand) respectively.

Below is selected financial information relating to the long-term partnership with Clal, as at 31 December 2023 and 2022, and for the years ended 31 December 2023 and 31 December 2022.

	2023 £'000	2022 £'000
Non-current assets	**456,094**	382,778
Current assets	**26,577**	13,437
Non-current liabilities	**260,928**	202,940
Current liabilities	**20,686**	10,840
Revenue	**46,273**	37,196
EBITDA	**14,862**	10,968
Profit for the period	**7,040**	5,030
Total comprehensive income	**2,614**	24,646

(ii) Arena Hospitality Group d.d.
As at 31 December 2023, the Group owned approximately 53.8% (2022: 53.2%) of Arena Hospitality Group d.d. ('Arena'). During 2023, the Company purchased 20,000 shares of Arena for a consideration of €0.6 million (£0.6 million) and Arena purchased 16,467 of its own shares for a consideration of €0.5 million (£0.5 million). The difference between the adjustment of the non-controlling interests and the net consideration paid of approximately €0.5 million (£0.4 million) was recorded in retained earnings. As a result of those transactions, the Group's share in Arena increased to 53.8%.

The amount of accumulated non-controlling interests as at 31 December 2023 amounts to £95,496 thousand (2022: £98,794 thousand) and the income and comprehensive income allocated to the non-controlling interests in 2023 amounts to £1,775 thousand (2022: £2,188 thousand) and loss of £495 thousand (2022: profit of £8,136 thousand) respectively.

Below is selected financial information relating to Arena, as of 31 December 2023 and 2022, and for the years ended 31 December 2023 and 2022.

	As at 31 December	
	2023 £'000	2022 £'000
Non-current assets	**382,010**	373,543
Current assets	**49,645**	69,204
Non-current liabilities	**180,281**	192,894
Current liabilities	**44,787**	38,755
Revenue	**109,927**	93,469
EBITDA	**24,371**	26,616
Profit for the period	**3,776**	4,543
Total comprehensive loss	**(1,093)**	17,242

(iii) European Hospitality Real Estate Fund
In March 2023, the Group launched a new European Hospitality Real Estate Fund ('the Fund') with a target size of up to €250 million. Clal Insurance ('Clal'), one of Israel's leading insurance and long-term savings companies, participated as a cornerstone investor, committing up to €75 million (limited to 49% of total participation). The Group also committed to invest up to €50 million in the Fund. As part of the agreement signed with Clal, it was decided to incorporate the Fund under Signature Top II Ltd ('Signature Top II'), a UK incorporated company, with a 51% ownership by the Group and 49% by Clal, until additional investors join. At the inception of the Fund, PPHE contributed the shares of Società Immobiliare Alessandro De Gasperis S.r.l., the owner of the Londra & Cargill Hotel in Rome, Italy ('Londra'), valued at €29.3 million (£25.8 million), for its 51% participation in Signature Top II. Clal made an initial cash contribution of €28.1 million (£24.8 million), payable at the Group's request, for its 49% participation. As of the reporting date, Clal transferred €20 million out of the €28.1 million and the additional €8.1 million was transferred after the reporting date. The Group has assessed the transaction and determined that it exercises control over Signature Top II. Consequently, the change in the ownership interest of Londra does not trigger a change of control and is therefore 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 £0.8 million in transaction costs) amounting to £0.4 million is recognised in the parent company's equity. The Group has chosen to recognise this amount in accumulated earnings. Additionally, £0.7 million was reclassified from the foreign currency translation reserve and hedging reserve to accumulated earnings.

Throughout the year the Group engaged with investment bankers to raise the remaining equity for the Fund, however the significant changes in the interest rate market during this period has resulted that the Group was not successful in signing up new investors. If further investors do not join the Fund by 13 March 2024 (unless mutually extended), the Fund will carry on as a joint venture with Clal. The Group may top up its own equity contribution (currently at up to €50 million) to €78 million to give the total joint venture a circa €150 million equity value. With full equity subscription combined with a targeted 50% bank leverage, the investment potential of the joint venture will then be around €300 million.

As at 31 December 2023, the Group owned 51% of Signature Top II. The amount of accumulated non-controlling interests as at 31 December 2023 amounts to £22,578 thousand and the loss and comprehensive loss allocated to the non-controlling interests in 2023 amounts to £495 thousand and £923 thousand respectively.

Note 6 Other non-current assets

	As at 31 December 2023 £'000	2022 £'000
Income Units in Park Plaza County Hall London[1]	**17,700**	16,100
Rent security deposits	**363**	358
Derivative financial instruments (see Note 29(a))	**21,300**	30,539
Other non-current assets	**283**	248
	39,646	47,245

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 £17.7 million based on an independent valuation prepared by Savills using a cap rate of 7.25%.

Note 7 Trade receivables

a. Composition:

	As at 31 December 2023 £'000	2022 £'000
Trade receivables	**18,417**	19,214
Less – allowance for doubtful debts	**(537)**	(681)
	17,880	18,533

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:

	2023 £'000
As at 1 January 2023	**(681)**
Write-off	**261**
Additions	**(124)**
Exchange rate differences	**7**
As at 31 December 2023	**(537)**
As at 1 January 2022	(890)
Write-off	320
Additions	(85)
Exchange rate differences	(26)
As at 31 December 2022	(681)

c. As at 31 December, the ageing analysis of trade receivables is as follows:

2023	**Total £'000**	**Not past due £'000**	**Past due < 30 days £'000**	**31 to 60 days £'000**	**61 to 90 days £'000**	**> 90 days £'000**
Trade receivables	**18,417**	**9,788**	**7,082**	**697**	**148**	**702**
Allowance for doubtful debts	**(537)**					**(537)**
	17,880	**9,788**	**7,082**	**697**	**148**	**165**

2022	Total £'000	Not past due £'000	Past due < 30 days £'000	31 to 60 days £'000	61 to 90 days £'000	> 90 days £'000
Trade receivables	19,214	8,824	7,633	1,317	474	966
Allowance for doubtful debts	(681)					(681)
	18,533	8,824	7,633	1,317	474	285

Note 8 Other receivables and prepayments

	As at 31 December 2023 £'000	2022 £'000
Prepaid expenses	**8,066**	7,296
VAT	**6,120**	4,706
Related parties	**65**	100
Funds to be received from Clal (see Note 5 (iii))	**7,044**	–
Derivative financial instruments short term	**1,677**	–
Escrow account[1]	**–**	4,666
Others	**288**	1,098
	23,260	17,866

1 Funds for the acquisition of 12 Park Plaza Westminster Bridge London units that were transferred to an escrow account. In 2023, the acquisition was finalised.

Note 9 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 10 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 2023, the number of ordinary shares issued was 44,347,410 (2022: 44,347,410), 1,984,110 of which were held as treasury shares (2022: 1,909,042).

The Company's shares are admitted to the Premium Listing segment of the Official List of the UK Listing Authority and to trading on the Main Market for listed securities of the London Stock Exchange.

b. Treasury shares

During 2023, the Company issued 63,502 of its ordinary shares from its treasury account for a consideration of £70 thousand in order to satisfy an exercise of options. As a result, the cost of the treasury shares in excess of the consideration received (£150 thousand) was charged to the share premium account.

On 28 June 2022, the Company's Board of Directors approved the commencement of a share buy-back programme to buy up to a maximum of 300,000 ordinary shares for an aggregate consideration (excluding expenses) of up to a maximum of £1.7 million. On 18 November 2022, this share buy-back programme was further extended to buy up to a maximum of 500,000 ordinary shares for an aggregate consideration (excluding expenses) of up to a maximum of £3.7 million. In 2022 and 2023, the Company completed a purchase of 295,707 shares under this programme for a total consideration of £3.7 million, representing an average price of 1,257 pence per share.

The total number of treasury shares as at 31 December 2023 is 1,984,110 (2022: 1,909,042).

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 11 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 2023, there were 190,500 exercisable options outstanding under the 2007 Option Plan. These options were granted to employees of the Company in past years. No further grants can be made under this plan.

2020 PPHE Executive Share Option Plan

The Board has adopted a '2020 PPHE Executive Share Option Plan', under which employees of the Company and its subsidiaries receive remuneration in the form of share-based compensation. The plan has the following principal terms:

a. The plan has four types of options:

- Option A: market value options – options that are linked to the market value of the shares in the Company.
- Option B: salary related options – whereby employees agree to a reduction in their base salary in exchange for the right to acquire shares at nil-cost. These options normally vest after 12 months subject to an additional six-month holding period.
- Option C: deferred bonus awards – allowing the award of the number of shares determined by the Remuneration Committee in lieu of some or all of the annual bonus.
- Option D: performance share awards – options which are granted subject to specified performance targets. Notwithstanding the extent to which any performance target is satisfied, the number of vested award shares may be reduced by the Committee to ensure that the number of vested award shares is appropriate taking into account the underlying business performance of the Group.

These awards are subject to the rules of the PPHE Executive Incentive Plan 2020 which may include: long-term vesting periods prescribed by the Committee upon grant; good-leaver and bad-leaver provisions allowing the Committee to exercise discretion as to when it might be appropriate for an award to vest in spite of the relevant employee leaving the Group; post vesting holding periods determined by the Committee at the time of the award; performance conditions; and share capital dilution limits. The plan allows dividends or dividend equivalents to accrue, subject to the Committee's discretion.

b. At any time, the total number of shares issued and/or available for grant (in a ten-year period) under the 2007 Share Option Plan, the 2020 PPHE Executive Incentive Plan and under any other employee share scheme which the Company may establish in the future may not exceed 5% of the Company's issued share capital at that time.

c. In June 2022, the Remuneration Committee approved a Long-Term Incentive Plan (LTIP) conditional grant of 93,000 options with a nil exercise price (Option D under the 2020 Option Plan). The grant is subject to performance conditions determined by the Remuneration Committee in accordance with the 2020 Option Plan rules and the Company's Remuneration Policy and has a vesting period of 36 months starting 1 January 2022 with a 24-months' holding period. Furthermore, the Remuneration Committee approved an annual bonus plan for 2022 which included an award to members of the Executive Leadership Team of 99,000 options with a nil exercise price (Option C under the 2020 Option Plan). This award was subject to certain performance criteria which have been met for 2022. Those options have an immediate vesting and are subject to a holding period of 12 months post grant.

The following lists the inputs to the binomial model used for the fair value measurement of the 93,000 options granted:

Dividend yield	1.0%
Expected volatility of the share prices	45.58%
Risk-free interest rate	1.9327%
Expected life of share options	5 years
Weighted average share price at the grant date	1,455.0 pence
Fair value per option	1,398.0 pence

The following lists the inputs to the binomial model used for the fair value measurement of the 99,000 options:

Dividend yield	1.0%
Expected volatility of the share prices	45.58%
Risk-free interest rate	1.9327%
Expected life of share options	3 years
Weighted average share price at the grant date	1,455.0 pence
Fair value per option	1,440.0 pence

The expected life of the share options is based on historical data, current expectations and empirical data. It is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility of similar listed companies over a period similar to the life of the options is indicative of future trends, which may not be reflective of the actual outcome.

d. The expense arising from equity-settled share-based payment transactions during 2023 was £442 thousand (2022: £1,965 thousand). Total exercisable options at 31 December 2023 were 343,721 (2022: 150,223).

Movements during the year

The following table illustrates the number (No.) and weighted average exercise prices (EP) of, and movements in, share options during 2022 and 2023:

	No. of options A (2007 Option Plan)	No. of options A (2020 Option Plan)	No. of options B (2020 Option Plan)	No. of options C (2020 Option Plan)	No. of options D (2020 Option Plan)	EP
Outstanding as at 1 January 2023	**220,500**	**227,000**	**51,223**	**99,000**	**93,000**	**£8.32**
Options forfeited during the year	–	–	–	–	–	–
Options exercised in the year[1]	(30,000)	–	(4,502)	(29,000)	–	£1.10
Options granted during the year	–	–	–	–	–	–
Outstanding as at 31 December 2023	**190,500**	**227,000**	**46,721**	**70,000**	**93,000**	**£9.05**
Outstanding as at 1 January 2022	265,500	250,500	69,867	–	–	£10.51
Options forfeited during the year	–	(23,500)	–	–	–	£13.00
Options exercised in the year	(45,000)	–	(18,644)	–	–	£1.65
Options granted during the year	–	–	–	99,000	93,000	–
Outstanding as at 31 December 2022	220,500	227,000	51,223	99,000	93,000	£8.32

1 Out of the options exercised in the year 33,502 were cashless.

As at 31 December 2023, the number of exercisable options was 534,221 (2022: 370,723) with an EP of £10.62 (2022: £7.54).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2023 is 6.5 years (2022: 7.3 years).

Note 12 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 £17.3 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, which fees are recognized in the income statement as incurred.

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. See Note 2(h) regarding the accounting for management and franchise fees received.

(ii) Construction contract commitment

As at 31 December 2023, the Group had capital commitments amounting to £29.6 million for the construction of the development of art'otel London Hoxton and £9.2 million for the refurbishment of Londra & Cargill Hotel in Rome, Italy.

(iii) Guarantees

1. In January 2013, the Company sold to Red Sea Hotels Limited ('Red Sea') all of the Company's shares in its subsidiary, Leno Finance Limited ('Leno'), the company through which the Company owned an interest in the site in Pattaya, Thailand (the 'Project'), and certain related loans and receivables, for a total consideration of Thai Baht 600 million.

   Under the terms of the United Overseas Bank (UOB) credit facilities received for the construction of the Project, the Company is obliged to provide certain financial support in the event of a cost overrun or funding shortfall in relation to the Project, to satisfy the payment of unpaid interest or fees until completion of the Project and, in certain circumstances, may be required to purchase serviced apartments after completion of the Project for a maximum of Thai Baht 600 million to fund any amounts that are outstanding under the UOB credit facilities. In addition, the Company undertook to take all necessary acts to ensure the completion of the Project as planned. Red Sea has agreed to indemnify the Company in respect of these continuing obligations (except for the obligation to purchase serviced apartments after completion where there is a continuing event of default) and as security Red Sea has pledged the shares held by it in Bali Hai Company Limited (the Thai subsidiary of Leno that owns and develops the Project) ('Bali Hai') and certain affiliated Thai companies.

   On 20 December 2023, the Company has entered into a deed of release with UOB in respect of obligations under the sponsor support deed. The deed of release is subject to conditions subsequent which are expected to be satisfied by 15 March 2024 failing which the deed of release will be revoked.

2. 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 and in relation to the long-tem partnership with Clal. As of 31 December 2023, the additional estimated contingent obligation to cover future cost overruns amounts to £9.7 million of which the Company's share is £6.3 million (Note 5b(i)).

Note 13 Borrowings

The borrowings of the Group are composed as follows:

As at 31 December 2023	€ denominated £'000	£ denominated £'000	$ denominated £'000	HRK denominated £'000	Total £'000
Fixed interest rate	318,272	558,192	–	–	876,464
Weighted average interest rate	2.32%	4.01%	–	–	
Variable interest rate	4,346	3,783	11,797	–	19,926
Weighted average interest rate	7.01%	6.94%	8.91%	–	
Total	322,618	561,975	11,797	–	896,390
Weighted average interest rate	2.38%	4.03%	8.91%	–	3.50%

Maturity analysis 2023	Outstanding amount	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Total borrowings	896,390	48,681	62,178	363,289	61,223	181,228	179,791
Capitalised transaction costs and other adjustments	(3,354)	(844)	(844)	(844)	(822)	–	–

For securities and pledges, see Note 12.

As at 31 December 2022	€ denominated £'000	£ denominated £'000	$ denominated £'000	HRK denominated £'000	Total £'000
Fixed interest rate	270,203	420,635	–	36,540	727,378
Weighted average interest rate	2.41%	3.61%	–	1.44%	
Variable interest rate	35,284	90,990	15,896	–	142,170
Weighted average interest rate	6.07%	7.28%	8.28%	–	
Total	305,487	511,625	15,896	36,540	869,548
Weighted average interest rate	2.52%	4.26%	8.28%	1.44%	3.60%

Maturity analysis 2022	Outstanding amount	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Total borrowings	869,548	47,901	32,651	61,685	365,509	46,199	315,603
Capitalised transaction costs and other adjustments	(4,816)	(800)	(800)	(800)	(800)	(800)	(816)

For securities and pledges, see Note 12.

a. Finance agreements entered in the years 2023 and 2022:

Park Plaza Hotels (UK) Limited facility

On 1 November 2023, 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 which replaced the previous Coronavirus Large Business Interruption Loan Scheme (CLBILS) facility entered in November 2020. The facility is provided on a three-year term and bears an interest rate margin on drawn amounts of 2.5% plus Sonia during year one, with the margin increasing to 3% in years two and three.

Arena Grand Kažela campsite refinance

On 9 November 2022, Arena had entered into a new loan agreement with PRIVREDNA BANKA ZAGREB in Croatia for the purpose of refinancing its existing €10.2 million loan used for the development of Arena Grand Kažela Campsite. The facility is in a total amount of €18.5 million (£16.4 million), maturing in 2036 at a fixed interest rate of 2.95%.

Financing for the refurbishment of art'otel in Budapest

On 3 October 2022, Arena, through its wholly owned subsidiary SW Szállodaüzemeltet Korlátolt, entered into a new loan agreement with Erste & Steiermärkische Bank d.d. for the purpose of financing the CAPEX investments in art'otel Budapest. The facility is in a total amount of €2 million (£1.8 million), maturing in 2031 at a fixed interest rate of 3.5%.

Financing for Arena Stoja Campsite

On 10 May 2022, Arena entered into a new loan agreement with Croatian Bank for Reconstruction and Development (HBOR). Arena intends to use this facility to purchase 75 upscale mobile homes for the Arena Stoja Campsite. The facility is in a total amount of €2.9 million (£2.5 million), maturing in 2028 at a fixed interest rate of 1.5%.

Financing for development of art'otel in Zagreb, Croatia

On 30 March 2022, Arena, through its wholly owned subsidiary Ulika d.o.o., entered into a new loan agreement with Erste & Steiermärkische Bank d.d. for the purpose of financing the development of its premium lifestyle art'otel in Zagreb, Croatia. The facility is in a total amount of €12.6 million (£10.8 million), maturing in 2034 at a fixed interest rate of 2.2%.

Financing of Londra & Cargill Hotel in Rome, Italy

On 22 February 2022, Londra Cargill Parent S.r.l, a wholly owned subsidiary of the Company, entered into a €25 million (£21 million) facility with UniCredit S.p.A. (the 'Facility'). The Facility consists of two tranches: Tranche A in the amount of €17.25 million is available for immediate drawdown upon signing the Facility agreement and Tranche B in the amount of €7.75 million will be available for drawdown upon completion of the hotel refurbishment and meeting certain conditions. The term of the Facility is four years and it will bear an interest rate of six month Euribor, which was fixed by an interest rate swap at a rate of 0.6065%, plus a margin of 3.2%.

Given that there is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the loan (i.e., notional amount, maturity and payment), the Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. As at 31 December 2023, the interest rate swap had a fair value of £0.7 million and is included in other non-current assets. The change in the fair value of the interest rate swap in the amount of £0.5 million for the year ended 31 December 2023 is recorded as other comprehensive income. The interest rate swap is valued using valuation techniques for swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, and interest rate curves. The fair value measurement is Level 2 of the fair value hierarchy.

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b. The following financial covenants must be complied with by the relevant Group companies:

- Under the two Aareal facilities, for Park Plaza London Riverbank (the 'Riverbank hotel') and all six of the Group's Dutch hotels and Grandis (the 'Dutch hotels and Grandis'), the borrowers must ensure that the aggregate amount of the outstanding facilities does not exceed 62.2% of the value of the Dutch hotels and Grandis and 60% of the value of the Riverbank hotel as set out in the most recent valuation (loan-to-value). In addition, the borrowers must ensure that, on each interest payment date, the Debt Service Coverage Ratio (DSCR) is not less than 115%.
- 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 of £3.8 million (as at 31 December 2023) has an associated interest rate cap, hedging the risk of the all-in rate exceeding 3.5%.
- 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%.
- 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 March 2019, W29 Owner LLC entered into a loan agreement with Bank Hapoalim New York for an amount of US$22.15 million where PPHE Hotel Group is a guarantor. Under this agreement, PPHE Hotel Group must ensure that it maintains an aggregate net worth of at least US$33 million and have liquid assets with a market value of at least US$5 million. Since March 2019, W29 Owner LLC has paid US$7.15 million out of the loan principal and the maturity date of the loan was extended a few times with the latest one, signed in September 2023, extending the maturity date to 13 September 2024.
- 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 the earlier of (i) one year after practical completion; or (ii) 7 April 2024 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. After the reporting date, the borrower entered into an amendment to the loan agreement which included an update to stagger the DSCR covenant as follows. The borrower must ensure that: the DSCR is not less than 1.1 on each quarter test date from 31 December 2025 to 30 September 2026 and 1.2 for the following quarter test dates.
- Under the loan agreement granted by Santander UK Plc to Park Plaza Hotels (UK) Limited, 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; (iii) ensure that the drawn amount under this facility to the unencumbered market value of Park Plaza London Waterloo (determined in accordance with the most recent valuation) does not at any time exceed 65%; and (iv) maintain minimum liquidity of £3 million at all times.
- Under the £1.6 million loan granted by Santander UK Plc to PPHE Living Limited dated 29 January 2020, the interest coverage ratio (ICR) for each 12-month period must not be less than 125%. In addition, the borrower must ensure that the outstanding loan does not exceed 65% of the value of the borrower's freehold property at Acton Lane (based on the most recent valuation).

- Under the UniCredit S.p.A. facility for Società Immobiliare Alessandro De Gasperis S.r.l., signed on 22 February 2022, the borrower must ensure throughout the entire term of the loan that the outstanding amount of the loan does not exceed 60% of the value of the property. Furthermore, from the earlier of (i) 30 June 2024, and (ii) the first interest payment date falling after 12 months following the completion of the property renovation (the 'first test date'), the borrower undertakes to ensure that the ratio between (i) the EBITDA of the borrower relating to the 12 month period preceding the relevant test date and (ii) the finance costs for the same applicable period (ICR) and the ratio between (i) the net operating profit of the borrower generated in the 12 month period preceding each test date and (ii) the principal amount of all facilities outstanding under this facilities agreement at that test date are higher than 2.0 and 7.5% respectively for the first test date and higher than 2.5 and 9% respectively for each test date thereafter.
- Under the Deutsche Hypothekenbank AG facility, for 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 used as collateral and that the DSCR is not less than 1.35.
- 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 used as collateral and that the DSCR is not less than 1.10.
- Under the Zagrebaka Banka d.d. joint €32.0 million and HRK 205.0 million facilities, the borrower, Arena Hospitality Group d.d. must ensure that at year end, based on audited stand alone 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 4.5 at year end 2021 and for each succeeding calendar year during the remaining life of the loan.
- Under the Zagrebaka Banka d.d. €10.0 million and HRK 60.0 million facilities, the borrower, Arena Hospitality Group d.d. 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 4.5 at year end 2021 and for each succeeding calendar year during the remaining life of the loan. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees for bank borrowings and EBITDA to the maximum of 6.0. Moreover, under the HRK 60 million facility, the amount of the loan cannot exceed 70% of the value of the properties.
- Under the Erste Banka d.d. €2.5 million facility, the borrower, Arena Hospitality Group d.d. has to comply with the following covenants calculated based on stand alone financial statements, tested once a year using audited financial statements for the preceding year: DSCR 1 is equal to or greater than 3.5. DSCR 2 is equal or greater than 1.2. The net leverage ratio is equal to or lower than 4.5. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees for bank borrowings and EBITDA to the maximum of 6.0 until the end of the loan repayment. The equity ratio has to be at least 30%.
- Under the club deal with Erste Banka d.d. and Zagrebačka Banka d.d signed in December 2020 for the purpose of financing the refurbishment of Hotel Brioni Pula in the total amount of €24.0 million the borrower, Arena Hospitality Group d.d. has to comply with the following covenants calculated based on stand alone financial statements, tested once a year using audited financial statements for the preceding year: DSCR 1 is equal to or greater than 3.5. DSCR 2 is equal or greater than 1.2. Net leverage ratio is equal to or lower than 4.5. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees for bank borrowings and EBITDA to the maximum of 6.0 until the end of the loan repayment. The amount of the loan cannot exceed 70% of the property used as collateral.
- Under the OTP Banka d.d. loan signed in July 2020 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, Arena Hospitality Group d.d. has to comply with the following stand alone covenants, tested once a year using audited financial statements for the preceding year: net leverage ratio is equal to or lower than 4.5. The equity ratio 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.

- Under the AIK Banka a.d. facility for the purpose of financing the purchase of 88 Rooms Hotel in Belgrade, Serbia, in the total amount of €4.2 million the borrower (Arena 88 Rooms Holding d.o.o.) has to ensure that the value of the purchased asset is not lower by more than 35% when compared with the value of the asset as defined during 2020 by an external reputable valuator.
- Under the Zagrebaka 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, Arena Hospitality Group d.d. 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. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees and EBITDA to the maximum of 6.0 at the end of 2023 and onwards. Covenants are calculated based on audited annual stand alone financial statements. Also, during the loan period the borrower is not able without bank confirmation to proceed with payments of dividends or loans to third parties.
- 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, Arena Franz Ferdinand GmbH as the borrower has to comply with following stand alone hard covenants: projected DSCR is equal or greater than 1.15 at year end 2021 and historical DSCR equal or greater than 1.15 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. The borrower also has to comply with the following soft covenants: from year end 2024 onwards DSCR (projected and historical) should be equal to or greater than 1.35. The amount of the loan cannot exceed 65% of the property used as collateral at the year end 2024 until year end 2026, and 60% from the year end 2026 and onwards.
- Under the Privredna banka d.d. loan signed in November 2022 for the purpose of refinancing investments done in Arena Kazela Campsite in previous years, in the total amount of €18.5 million, the borrower, Arena Hospitality Group d.d. has to comply with following covenants: the DSCR is equal to or greater than 1.2 during the life of the loan based on audited stand alone financial statements, the net leverage ratio based on audited stand alone financial statements is equal to or lower than 4.5 from 2022 and for each succeeding calendar year during the remaining life of the loan. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees and EBITDA to the maximum of 6.0 until the end of the loan repayment. Moreover, the amount of the loan cannot exceed 70% of the value of the properties used as collateral.
- Under the HRVATSKA BANKA ZA OBNOVU I RAZVITAK loan signed in May 2022 for the purpose of financing the purchase of mobile homes in Arena Stoja Campsite, in the total amount of €2.9 million, the borrower, Arena Hospitality Group d.d. has to comply with the equity ratio being at least 30% calculated based on stand alone financial statements.
- Under the ERSTE&STEIERMÄRKISCHE BANK d.d. loan signed in March 2022 by Ulika d.o.o. as borrower for the purpose of financing investment in the hotel in Zagreb, in the amount of €12.6 million, Arena as guarantor has to comply with following covenants tested once a year using audited stand alone financial statements for the preceding year: DSCR 1 is equal to or greater than 3.5. DSCR 2 is equal or greater than 1.2 throughout the life of the loan. Net leverage ratio is equal to or lower than 4.5 at each year end during the remaining life of the loan. Additionally, the guarantor undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees for bank borrowings and EBITDA to the maximum of 6.0 until the end of the loan repayment. The amount of the loan cannot exceed 100% of the property used as collateral. The equity ratio has to be at least 30%. Ulika d.o.o., as borrower, needs to maintain a DSCR equal to or greater than 1.3 from 2026 onwards.
- Under the OTP Bank Nyrt loan signed in October 2022 for the purpose of refurbishment of art'otel Budapest, in the amount of €2 million, the borrower has to comply with the following covenant: annual debt service cover ratio is equal to or greater than 1.2 during the life of the loan.

Pursuant to bank loan agreements with certain subsidiaries, these subsidiaries are required to retain their cash balances for use in their hotel operations and are restricted from transferring the cash to other entities in the Group without a prior approval from the lenders.

As at 31 December 2023, the Group is in compliance with all of its banking covenants. The Group expects that it will comply with its loan covenants also going forward.

Note 14 Provisions

Provision for concession fee on land

In accordance with the provisions of the Tourist and Other Construction Land Not Appraised During the Transition and Privatisation Process Act from 2010 (the 'TLA'), Arena submitted requests to the Republic of Croatia and the relevant municipality for the award of tourist land concessions in relation to land areas in eight campsites and three tourist resorts in Croatia. The TLA failed to produce the desired impact or to resolve the issues of the ownership/use of the tourist land. This in turn caused far-reaching consequences in the form of lack of investments into tourist land, reduced the international competitiveness of Croatian tourism due to lack of development and reduced income for the state and local municipalities. The Croatian government therefore adopted a new legislation to deal with, inter alia, the so-called tourist land and proprietary relationships between the owner of such land and the owner of the facilities built thereon.

In May 2020, the new Non-Appraised Construction Land Act (the 'NCLA') replaced the TLA and all initiated requests based on the TLA were suspended. Pursuant to the NCLA, the ownership of the land underneath the facilities in the campsites that were assessed into the share capital of Arena is now also legally recognised as ownership of Arena, while the Republic of Croatia will be the sole owner of the other land in the camps. In respect to the tourist resorts, the ownership of the land underneath the facilities that have been assessed into the share capital of Arena is now also recognised as ownership of Arena, together with the land surrounding such facilities that makes (together with the relevant facilities) the technological and functional unity. Tourist land in the tourist resorts which was not assessed into the share capital of Arena and which serves the standard usage of the resorts shall be owned by a local municipality. In relation to the land in campsites owned by the Republic of Croatia and the land in tourist resorts owned by the local municipalities, Arena will ex lege be deemed long-term (50 years) lessee and will conclude the lease agreement with the state/local municipalities once the procedure envisaged by the NCLA is complete. However, the government has still not adopted the secondary level regulation that would govern the rent payable by the lessees for such lease, nor have the procedures required for the implementation of the Act and actual registration of the ownership over the respective part of land in campsites/tourist resorts been completed. Thus, instead of concession fees, NCLA prescribes the obligation to pay rental fees for the tourist land which was not assessed into the share capital of Arena. However, administrative proceedings before the competent authority that are required for the implementation of the Act and actual registration of the ownership over the respective part of land in campsites and tourist resorts, have not been completed.

In 2023, the government had carried out public consultations on the draft proposals of the secondary level regulations that would govern the rent payable by the lessees, i.e., on the draft proposal of the Regulation on determination of the unit rent amount for tourist land on which the hotel and tourist resort is built and the method of calculating the rent and other fees and the mandatory content of the lease agreement, and on the draft proposal of the Regulation on determining of the initial amount of the unit rental price for tourist land in the camp, the method of calculating the rent and other fees and the mandatory content of the lease agreement. Both Regulations were adopted by the Government in February 2024. Given that the Regulations that now govern the rent payable by the lessees were adopted after 31 December 2023, Arena made an assessment of the concession/rental fees in the most prudent manner based on the most up to date available information, including the above-mentioned government's proposals referred to public consultation. The concession/rental fee, which amounted to £1.6 million in 2023, was recorded in the statement of financial position under other payables and accruals. There was no payment of concession/rental fee during 2023 or 2022.

Management is still assessing the impact of this new regulation on the Company's financial statements.

	2023 £'000	2022 £'000
Balance as at 1 January	**5,331**	5,057
Exchange rate differences	**(98)**	274
Balance as at 31 December	**5,233**	5,331

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Note 15 Financial liability in respect of Income Units sold to private investors

	2023 £'000	2022 £'000
Total liability	**132,995**	139,754
Due from investors for reimbursement of capital expenditure	**(18,708)**	(18,670)
	114,287	121,084

This liability originated from the proceeds received from the sale to private investors of the future 999-year cash flows, derived from certain Income Units in Park Plaza Westminster Bridge London. Furthermore, as the investors are required to fund all CAPEX to be made in connection with these rooms, a receivable is recorded in each period for any excess of depreciation expense over the amounts paid by the investors on account of CAPEX. This receivable is offset from the liability to the investors.

This liability is amortised over the term of the agreement, that being 999 years.

Note 16 Other financial liabilities

	As at 31 December	
	2023 £'000	2022 £'000
Lease liabilities (see Note 17)	**273,274**	261,544
Retention liability[1]	**4,536**	2,691
Other	**2,390**	1,259
	280,200	265,494

1 Retention in relation to the building contract with Gear Construction UK Limited for the design and construction of the art'otel London Hoxton hotel (see Note 28).

Note 17 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 other £'000	Furniture, fixtures and equipment £'000	Total £'000
Cost:					
Balance as at 1 January 2023	**102,684**	**130,648**	**9,248**	**23,873**	**266,453**
Additions during the year	**–**	**185**	**–**	**165**	**350**
Disposal	**–**	**–**	**(58)**	**–**	**(58)**
Re-measurement of right-of-use assets	**6,626**	**4,375**	**–**	**–**	**11,001**
Adjustment for exchange rate differences	**(414)**	**(13)**	**(20)**	**–**	**(447)**
Balance as at 31 December 2023	**108,896**	**135,195**	**9,170**	**24,038**	**277,299**
Accumulated depreciation and impairment:					
Balance as at 1 January 2023	**5,897**	**16,434**	**3,643**	**15,036**	**41,010**
Provision for depreciation	**669**	**3,212**	**858**	**2,438**	**7,177**
Disposal			**(19)**		**(19)**
Adjustment for exchange rate differences	**(3)**	**(70)**	**(11)**		**(84)**
Balance as at 31 December 2023	**6,563**	**19,576**	**4,471**	**17,474**	**48,084**
Net book value as at 31 December 2023	**102,333**	**115,619**	**4,699**	**6,564**	**229,215**
Cost:					
Balance as at 1 January 2022	88,454	129,032	8,640	23,873	249,999
Additions during the year	–	215	50	–	265
Re-measurement of right-of-use assets	13,028	705	501	–	14,234
Adjustment for exchange rate differences	1,202	696	57	–	1,955
Balance as at 31 December 2022	102,684	130,648	9,248	23,873	266,453
Accumulated depreciation and impairment:					
Balance as at 1 January 2022	5,384	13,331	2,737	12,626	34,078
Provision for depreciation	504	2,761	878	2,410	6,553
Adjustment for exchange rate differences	9	342	28	–	379
Balance as at 31 December 2022	5,897	16,434	3,643	15,036	41,010
Net book value as at 31 December 2022	96,787	114,214	5,605	8,837	225,443

The amount of borrowing costs capitalised during the year ended 31 December 2023 was £185 thousand (2022: £215 thousand).

Impairment
In 2023, there were no indicators of impairment.

Set out below are the carrying amounts of lease liabilities (included under Other financial liabilities and Other payables) and the movements during the period:

	2023 £'000	2022 £'000
As at 1 January	267,051	251,618
Additions	165	50
Disposals	(31)	–
Accretion of interest[1]	10,445	9,952
Payments	(14,355)	(14,627)
Re-measurement of lease liability recorded in other expenses	3,852	3,704
Re-measurement of lease liability adjusted against right-of-use assets	11,001	14,234
Exchange rate differences recorded in profit and loss	(882)	1,662
Adjustments for foreign exchange differences	117	458
As at 31 December	277,363	267,051
Current	4,089	5,507
Non-current	273,274	261,544

1 The amount of borrowing costs capitalised during the year ended 31 December 2023 was £185 thousand (2022: £215 thousand).

Set out below is a split of the lease liabilities, cash payments and effect in the income statement between lease agreements for a period longer than 40 years ('long-term leases') and leases for a period of up to 40 years ('short-term leases').

	Year ended 31 December 2023 £'000		
	Long-term leases (>40)	Short-term leases (<40)	Total
Lease liabilities	244,437	32,926	277,363
Fixed lease payments	9,408	4,947	14,355
Accretion of interest	9,629	816	10,445
Depreciation	3,857	3,320	7,177

	Year ended 31 December 2022 £'000		
	Long-term leases (>40)	Short-term leases (<40)	Total
Lease liabilities	234,050	33,001	267,051
Fixed lease payments	9,031	5,596	14,627
Accretion of interest	8,968	984	9,952
Depreciation	3,774	2,779	6,553

Details regarding certain long-term lease agreements are as below:

(a) On 29 January 2020, the Group through its subsidiary Arena, entered into a 45-year lease for the development and operation of a contemporary branded hotel in Zagreb, Croatia. The development, which is subject to obtaining the necessary permits, involves the conversion of an iconic building in a prime location in the historic heart of the city. This 110-room hotel was opened in Q4 2023 and included a destination restaurant and bar, wellness and spa facilities, fitness centre, event space and parking. The annual rent amounts to €430 thousand.

(b) Grandis has a land leasehold interest, expiring in 2095, of Holmes Hotel London. Based on the latest rent review that was signed on 29 September 2022, the annual rent amounts to £1,250 thousand.

Grandis has an option to extend the lease to a total of 125 years, expiring in 2121. The Company also has an option to terminate the lease in 2059.

(c) Riverbank Hotel Holding B.V. has a land leasehold interest, expiring in 2125, for Park Plaza London Riverbank, subject to rent review every five years, based on CPI. Based on the latest rent review, with effect from 10 May 2020, the annual rent amounts to £1,135 thousand.

(d) On 18 June 2012, Park Royal Hotel Holding B.V. ('Park Royal') completed the purchase of the freehold property at 628 Western Avenue, Park Royal, London (the 'Site'), which was a development site on one of the main thoroughfares into London, for £6.0 million. Simultaneously, Park Royal completed the sale of the Site at a price of £7.0 million and the leaseback of the Site at an initial rent of £306 thousand per year for 170 years, subject to rent review every five years, based on CPI with a cap of 5%. Based on the latest rent review, with effect from 15 June 2022, the annual rent amounts to £417 thousand.

(e) On 20 July 2017, Waterloo Hotel Holding B.V. completed the sale of Park Plaza London Waterloo for £161.5 million subject to a leaseback for 199 years. The initial rent of £5.6 million per year will have annual inflation adjustments subject to a cap of 4% and collar of 2%.

The following are the amounts recognised in profit or loss:

	As at 31 December	
	2023 £'000	2022 £'000
Depreciation expense	7,177	6,553
Interest expense on lease liabilities	10,260	9,737
Expense relating to low-value assets and short-term leases (included in operating expenses)	227	169
Expense relating to low-value assets and short-term leases (included in rent expenses)	583	877
Variable lease payments (included in rent expenses)	1,749	1,544
Total amount recognised in profit or loss	19,996	18,880

The Group had total cash outflows for leases of £15,327 thousand in 2023 (2022: £15,673 thousand). The future cash outflows relating to leases that have commenced are disclosed in Note 29c.

The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments in 2023 and 2022:

	As at 31 December 2023		
	Fixed payments £'000	Variable payments £'000	Total £'000
Fixed rent	13,173	–	13,173
Variable rent with minimum payment	1,182	–	1,182
Variable rent only[1]	–	1,749	1,749

	As at 31 December 2022		
	Fixed payments £'000	Variable payments £'000	Total £'000
Fixed rent	13,369	–	13,369
Variable rent with minimum payment	1,258	–	1,258
Variable rent only[1]	–	1,544	1,544

1 Relates mainly to the concession fee on land (see Note 14).

Lease extension and termination options:
The Group has leases that include extension and termination options. These options provide flexibility in managing the leased assets and align with the Group's business needs. The Group exercises significant judgement in deciding whether it is reasonably certain that the extension and termination options will be exercised.

Set out below are details of potential future undiscounted lease payments for periods covered by extension options that were not included in the measurement of the Company's lease liabilities. As of the end of the reporting period the Group does not expect to exercise any termination option.

	Up to five years £'000	More than five years £'000
Lease payments applicable in extension option periods which as of the end of the reporting period are not reasonably certain to be exercised	5,676	4,019

Note 18 Other payables and accruals

	As at 31 December	
	2023 £'000	2022 £'000
Current portion of lease liabilities (Note 17)	4,089	5,507
Current portion of share appreciation rights (Note 5(b))	2,703	5,519
Employees	5,120	4,640
VAT and taxes	13,748	14,514
Accrued interest	3,361	3,128
Corporate income taxes	136	130
Accrued expenses	22,228	26,808
Advance payments received	9,260	8,238
Accrued rent	6,354	4,402
Variable income payment to holders of Income Units	4,166	4,137
Related parties[1]	7,984	3,712
Other	–	109
	79,149	80,844

1 Majority of this balance (£7,909 thousand) relates to an accrual for costs of the building contract with Gear Construction UK Limited for the design and construction of the art'otel London Hoxton that were paid after the reporting date (see Note 28).

Note 19 Revenues

	As at 31 December	
	2023 £'000	2022 £'000
Room revenue from owned hotels[1]	291,953	232,735
Room revenue from leased hotels[2]	8,127	5,058
Campsites and mobile homes	23,659	22,592
Food and beverage	74,106	56,711
Minor operating (including room cancellation)	8,364	7,401
Management fee (see Note 12(c)(i))	3,056	2,183
Franchise and reservation fee (see Note 12(c)(i))	2,814	1,466
Marketing fee	1,048	718
Other	1,471	1,227
	414,598	330,091

1 Room revenue from owned hotels includes also revenue from hotels that are under a <100 long-term lease.
2 Room revenue from leased hotels includes the revenue from Park Plaza Budapest and Park Plaza Wallstreet Berlin Mitte which are under 20-year lease contracts.

Note 20 Operating expenses

	As at 31 December	
	2023 £'000	2022 £'000
Salaries and related expenses	131,048	109,412
Franchise, reservation and commissions expenses (see Note 12(c)(i))	31,960	28,419
Food and beverage	20,872	16,471
Insurance and property taxes	16,343	19,156
Utilities	20,888	11,570
Administration costs	8,820	7,905
Maintenance	8,153	6,839
Laundry, linen and cleaning	6,740	5,472
Supplies	6,354	4,573
IT expenses	2,238	2,195
Communication, travel and transport	2,712	1,939
Marketing expenses	2,939	1,864
Government grants payroll	250	(183)
Government grants fixed costs	172	(2,461)
Defined contribution pension premiums	5,249	4,588
Other expenses	19,352	15,328
	284,090	233,087

Note 21 Financial expenses

	As at 31 December	
	2023 £'000	2022 £'000
Interest and other finance expenses on bank loans	25,385	24,815
Interest on lease liabilities	10,260	9,737
Foreign exchange differences, net	–	2,012
Other	500	693
	36,145	37,257

Note 22 Financial income

	As at 31 December	
	2023 £'000	2022 £'000
Income from Park Plaza County Hall London Units	1,006	887
Interest on bank deposits	2,480	375
Foreign exchange differences, net	918	–
Interest and other financial income from jointly controlled entities (see Note 28(b))	354	117
Other	–	137
	4,758	1,516

Note 23 Other income and expenses

a. Other expenses

	As at 31 December	
	2023 £'000	2022 £'000
Capital loss on buy-back of Income Units previously sold to private investors	3,266	1,499
Revaluation of interest rate swap (see Note 29(a))	4,553	–
Re-measurement of lease liability[1]	3,852	3,704
Loss on disposal of fixed assets	29	47
Other non-recurring expenses (including pre-opening expenses)	1,346	1,422
Revaluation of share appreciation rights (see Note 5(b)(i))	–	119
	13,046	6,791

1 This amount represents re-measurement of the Waterloo lease liability based on the 2% collar (see Note 17).

b. Other income

	As at 31 December	
	2023 £'000	2022 £'000
Revaluation of share appreciation rights (see Note 5(b)(i))	2,816	–
Revaluation of interest rate swap (see Note 29(a))	–	9,692
Revaluation of Income Units Park Plaza County Hall London (see Note 6)	1,600	300
	4,416	9,992

Note 24 Net expenses for financial liability in respect of Income Units sold to private investors

	As at 31 December	
	2023 £'000	2022 £'000
Variable return (see Note 2(e))	15,311	11,947
Reimbursement of depreciation expenses (see Note 2(e))	(1,155)	(1,164)
	14,156	10,783

Note 25 Income taxes

a. Tax benefit (expense) included in the income statement

	As at 31 December	
	2023 £'000	2022 £'000
Current taxes	(2,760)	(394)
Adjustments in respect of current income tax of previous year	(8)	87
Deferred taxes	1,091	3,663
	(1,677)	3,356

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 2023	12,928	(11,134)	5,193	6,987
Amounts charged to income statement	8,744	(7,653)	–	1,091
Adjustments for exchange rate differences	(167)	140	(96)	(123)
Balance as at 31 December 2023	**21,505**	**(18,647)**	**5,097**	**7,955**
Balance as at 1 January 2022	8,334	(11,009)	5,660	2,985
Amounts charged to income statement	4,134	274	(745)	3,663
Adjustments for exchange rate differences	460	(399)	278	339
Balance as at 31 December 2022	12,928	(11,134)	5,193	6,987

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	
	2023 £'000	2022 £'000
Deferred tax assets	**13,833**	12,909
Deferred tax liabilities	**(5,878)**	(5,922)
	7,955	6,987

c. Reconciliation between tax benefit (expense) and the product of accounting profit multiplied by the Group's tax rate is as follows:

	As at 31 December	
	2023 £'000	2022 £'000
Profit before income taxes	**28,822**	11,456
Expected tax at the tax rate of the United Kingdom 25% (2022: 19%)	**(7,206)**	(2,177)
Adjustments in respect of:		
Effects of other tax rates	**10,240**	1,265
Non-deductible expenses	**(627)**	(199)
Disallowed interest for which deferred tax asset was not recorded	**(11,078)**	(3,922)
Temporary differences for which no deferred tax was recorded	**(5,014)**	4,307
Non-taxable income	**484**	431
Unrecognised current year tax losses	**(2,966)**	(1,695)
Recognition of deferred tax asset on losses from previous years	**14,377**	5,171
Other differences	**113**	175
Income tax benefit (expense) reported in the income statement	**(1,677)**	3,356

d. Tax laws applicable to the Group companies:

(i) The Company is subject to taxation under the laws of Guernsey. The Company is therefore taxed at the standard rate of 0%.

(ii) Foreign subsidiaries are subject to income taxes in their country of domicile in respect of their income, as follows:

1. Taxation in the Netherlands: corporate income tax rate is 25.8%.
2. Taxation in the United Kingdom: corporate income tax rate for domiciled companies and for non-domiciled companies is 25% (2022: 19%).
3. Taxation in Germany: aggregated corporate tax rate and trade income rate is 29.7%.
4. Taxation in Hungary: corporate income tax rate is 9%.
5. Taxation in Croatia: corporate income tax rate is 18%.
6. Taxation in Italy: aggregated corporate tax rate (IRES) and local tax (IRAP) rate is 27.9%.
7. Taxation in Austria: corporate income tax rate is 25%.
8. Taxation in Serbia: corporate income tax rate is 15%.

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.

e. Losses carried forward for tax purposes

The Group has carried forward losses for tax purposes estimated at approximately £198.2 million (2022: £212.1 million). Movement in 2023 mainly relates to the utilisation of losses in the amount of approximately £26 million net of creation of new losses in the amount of approximately £11.9 million.

The Group did not establish deferred tax assets in respect of losses amounting to £118.6 million (2022: £163.5 million). Movement in 2023 mainly relates to the recognition of deferred tax assets in the amount of approximately £56.8 million net of creation of new losses in the amount of approximately £11.9 million.

The carried forward losses relate to individual companies in the Group, each in its own tax jurisdiction. When analysing the recoverability of these losses the Group assesses the likelihood that these losses can be utilised against foreseeable future trading profits while considering the limitations and the nature of the available losses. In this analysis the Group concluded that for the majority of these companies it is not probable 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 most 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 and Verudela Beach self-catering apartment complexes, among others.

Arena has the right to use the investment tax credits until 2027. The execution of the investment project is subject to supervision by the relevant institutions throughout the period of use of the tax credits and Arena will need to present regular annual reports to the tax authority in which it will evidence that the conditions for the use of the tax credits are met.

Note 26 Earnings per share

The following reflects the income and share data used in the basic earnings per share computations:

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Profit attributable to equity holders of the parent	22,415	10,159
Weighted average number of ordinary shares outstanding (in thousands)	42,365	42,523

Potentially dilutive instruments, 173,054 in 2023, had an immaterial effect on the basic earnings per share (2022: 399,294).

Note 27 Segments

For management purposes, the Group's activities are divided into Owned Hotel Operations and Management and Central Services Activities (for further details see Note 12(c)(i)). Owned Hotel Operations are further divided into five 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 2023							
	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	63,302	22,759	234,912	78,123	7,859	7,643	–	414,598
Inter-segment	–	–	400	257	–	40,626	(41,283)	–
Total revenue	63,302	22,759	235,312	78,380	7,859	48,269	(41,283)	414,598
Segment EBITDA	19,580	5,466	76,276	20,409	(528)	6,973	–	128,176
Depreciation, amortisation								(45,068)
Financial expenses								(36,145)
Financial income								4,758
Net expenses for liability in respect of Income Units sold to private investors								(14,156)
Other income (expenses), net								(8,630)
Share in result of joint ventures								(113)
Profit before tax								28,822

1 Includes art'otel Budapest in Hungary, 88 Rooms Hotel in Belgrade, Serbia, Londra & Cargill Hotel in Rome, Italy, and FRANZ Ferdinand Mountain Resort in Nassfeld, Austria.
2 Consist of inter-company eliminations.

	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other[1] £'000	Adjustments[2] £'000	Consolidated £'000
Geographical information							
Non-current assets[1]	190,420	72,311	1,007,301	249,910	86,306	46,462	1,652,710

1 Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets and intangible assets.
2 This includes the non-current assets of Management and Central Services.

	Year ended 31 December 2022							
	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other[1] £'000	Management and Central Services £'000	Adjustments[2] £'000	Consolidated £'000
Revenue								
Third party	41,573	17,724	190,105	69,237	6,344	5,108	–	330,091
Inter-segment	–	16	302	168	–	32,365	(32,851)	–
Total revenue	41,573	17,740	190,407	69,405	6,344	37,473	(32,851)	330,091
Segment EBITDA	11,163	6,368	56,218	21,426	(629)	37		94,583
Depreciation, amortisation								(40,006)
Financial expenses								(37,257)
Financial income								1,516
Net expenses for liability in respect of Income Units sold to private investors								(10,783)
Other income (expenses), net								3,201
Share in result of joint ventures								202
Profit before tax								11,456

1 Includes art'otel Budapest in Hungary, 88 Rooms Hotel in Belgrade, Serbia, Londra & Cargill Hotel in Rome, Italy, and FRANZ ferdinand Mountain Resort in Nassfeld, Austria.
2 Consist of inter-company eliminations.

	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other[1] £'000	Adjustments[2] £'000	Consolidated £'000
Geographical information							
Non-current assets[1]	194,833	72,537	949,931	241,312	59,307	55,512	1,573,432

1 Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets and intangible assets.
2 This includes the non-current assets of Management and Central Services.

Note 28 Related parties

a. Balances with related parties

	As at 31 December 2023 £'000	2022 £'000
Loans to joint ventures (see Note 5a)	6,515	5,573
Short-term receivables	65	100
Payable to GC Project Management Limited	(75)	(185)
Payable to Gear Construction UK Limited (see Notes 16 and 18)	(12,445)	(6,218)

b. Transactions with related parties

	As at 31 December 2023 £'000	2022 £'000
Cost of transactions with GC Project Management Limited	(670)	(300)
Cost of transactions with Gear Construction UK Limited	(55,069)	(47,872)
Rent income from sub-lease of office space	56	67
Management fee revenue from jointly controlled entities	872	822
Interest income from jointly controlled entities	354	118

c. Significant other transactions with related parties

(i) **Construction of the art'otel London Hoxton** – Following the approval by the independent shareholders, on 7 April 2020 the Group entered into a building contract with Gear Construction UK Limited ('Gear') for the design and construction of the art'otel London Hoxton hotel on a 'turn-key' basis (the 'building contract'). Under the building contract Gear assumes the responsibility for the design and construction of the main works for the design and build of art'otel London Hoxton for a lump sum of £160 million (exclusive of VAT) (the 'Contract Sum'). Of this amount, circa £24.6 million is based on provisional sums, primarily in respect of FF&E and fit out of the hotel which are detailed and set out as provisional sums in the building contract. This might cause the total amount payable to Gear UK under the building agreement to be greater or less than the Contract Sum. On top of the Contract Sum, the Group novated certain existing contracts relating to the project to Gear at cost subject to a cap of £6 million (exclusive of VAT). Gear is required to complete the works to be executed under the building contract by 2024.

Gear makes monthly applications for payments in line with the building contract and following construction industry contractual norms. The applications will be valued by AECOM acting as the Employer's agent and providing cost management services, who is appointed by the Employer but has a duty to act fairly in accordance with the terms of the contract. The Employer's agent will also be responsible for assessing any applications by Gear for extensions of time, variations or additional scope of work or additional loss and/or expense under the building agreement.

Gear's obligations and liabilities under the building contract are supported by a corporate guarantee from Red Sea Hotels Limited, an associate of Euro Plaza Holdings B.V. and therefore a related party of the Company, in the amount of 10% of the Contract Sum (the 'corporate guarantee'). The corporate guarantee expires on the later of: (i) the expiry of the two-year defects rectification period which follows practical completion of the works; and (ii) the issue of the latent defect insurer's approval or final technical audit report.

(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.

(v) **Londra & Cargill project management agreement** – The Group entered into a series of agreements with GC Project Management Limited for the provision of project management services and site supervision services to the Group in respect of the redevelopment of Hotel Londra & Cargill in Rome, Italy, commencing in 2022 and completing in 2024 for a fee capped at £920,000 to be paid in monthly instalments for the duration of the project.

Summary of the remuneration for Executive and Non-Executive Directors for the year ended 31 December 2023:

	Base salary and fees £'000	Bonus £'000	Pension contributions £'000	Other benefits £'000	Total £'000
Chairman and Executive Directors[1]	1,726	473	67	19	2,285
Non-Executive Directors	283	–	–	–	283
	2,009	473	67	19	2,568

1 Figures include the annual remuneration of Greg Hegarty, Deputy CEO & COO, who joined the Board following the 2023 Annual General Meeting which was held in May 2023.

Summary of the remuneration for Executive and Non-Executive Directors for the year ended 31 December 2022:

	Base salary and fees £'000	Bonus £'000	Pension contributions £'000	Other benefits £'000	Total £'000
Chairman and Executive Directors	1,148	531	64	13	1,756
Non-Executive Directors	284	–	–	–	284
	1,432	531	64	13	2,040

Directors' interests in employee share incentive plan

As at 31 December 2023, the Executive Directors held share options to purchase 121,308 ordinary shares (2022: 70,000). 50,000 options were fully exercisable with an exercise price of £14.30 (2022: 25,000) and 27,308 options were fully exercisable with a £nil exercise price (2022: 23,000). No share options were granted to Non-Executive Directors of the Board.

Note 29 Financial instruments risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank borrowings, cash and cash equivalents and restricted deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

	As at 1 January 2023 £'000	Cash flows £'000	Re-measurement through profit and loss £'000	Re-measurement against right-of-use assets £'000	Re-measurement against equity £'000	Foreign exchange movement £'000	New leases/loans, net £'000	Movement through profit and loss £'000	Re-classification and other movements £'000	As at 31 December 2023 £'000
Non-current interest-bearing loans and borrowings	817,631	–	–	–	–	(5,720)	65,265	–	(31,977)	845,199
Non-current lease liability	261,544	–	3,852	11,001	–	156	165	(882)	(2,562)	273,274
Financial liability in respect of Income Units sold to private investors	121,084	(5,609)	–	–	–	–	–	–	(1,188)	114,287
Non-current Derivative financial instruments	(30,539)	–	4,553	–	4,645	41	–	–	–	(21,300)
Current Derivative financial instruments	–	4,080	–	–	–	–	–	–	(2,403)	1,677
Current share appreciation rights	5,519	–	(2,816)	–	–	–	–	–	–	2,703
Current interest-bearing loans and borrowings	47,101	(31,717)	–	–	–	(1,243)	–	844	32,852	47,837
Current lease liability[1]	5,507	(4,095)	–	–	–	(39)	–	–	2,716	4,089
	1,227,847	(37,341)	5,589	11,001	4,645	(6,805)	65,430	(38)	(2,562)	1,267,766

1 Includes accrued interest on deferred lease payments.

	As at 1 January 2022 £'000	Cash flows £'000	Re-measurement through profit and loss £'000	Re-measurement against right-of-use assets £'000	Re-measurement against equity £'000	Foreign exchange movement £'000	New leases/loans, net £'000	Movement through profit and loss £'000	Re-classification and other movements £'000	As at 31 December 2022 £'000
Non-current interest-bearing loans and borrowings	729,284	–	–	–	–	16,091	106,879	–	(34,623)	817,631
Non-current lease liability	245,274	–	3,704	14,234	–	307	50	1,662	(3,687)	261,544
Financial liability in respect of Income Units sold to private investors	124,551	(4,887)	–	–	–	–	–	–	1,420	121,084
Derivative financial instruments	457	(109)	(9,692)	–	(21,002)	(71)	–	–	(122)	(30,539)
Non-current share appreciation rights	4,860	–	–	–	–	–	–	–	(4,860)	–
Current share appreciation rights	540	–	119	–	–	–	–	–	4,860	5,519
Current interest-bearing loans and borrowings	38,840	(31,087)	–	–	–	3,187	–	941	35,220	47,101
Current lease liability[1]	6,344	(4,890)	–	–	–	151	–	–	3,902	5,507
	1,150,150	(40,973)	(5,869)	14,234	(21,002)	19,665	106,929	2,603	2,110	1,227,847

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 significantly sensitive to possible changes in market interest rates. Possible changes in interest rates do, however, affect the Group's equity as the fair value of the swap agreements changes with interest rate changes. These swaps are designated to hedge underlying debt obligations.

The Company has entered into interest rate swap contracts with unrelated financial institutions in order to reduce the effect of interest rate fluctuations or risk of certain real estate investment's interest expense on its variable rate debt. The Company is exposed to credit risk in the event of non-performance by the counterparty to these financial instruments. Management believes the risk of loss due to non-performance to be minimal and therefore decided not to hedge this.

The accounting treatment for the interest rate swaps and whether they qualify as accounting hedges under IFRS 9 is determined separately for each contract. If the contract qualifies as accounting hedge then the unrealised gain or loss on the contract is recorded in the consolidated statement of comprehensive income. If the contract does not qualify as accounting hedge then the gain or loss on the contract is recorded in the consolidated income statement. The fair value of the interest rate swaps is determined by taking into account the present interest rates compared to the contracted fixed rate over the life of the contract. The valuation models incorporate various market inputs such as interest rate curves and the fair value measurement is classified to Level 2 of the fair value hierarchy.

For the year ended 31 December 2023, the Company recorded a loss of £4.5 million (2022: profit of £9.7 million) in Other expenses in the consolidated income statement and an unrealised loss of £5.0 million (2022: profit of £21.1 million) in the consolidated statement of comprehensive income representing the change in the fair value of these interest rate swaps during the period. The aggregate fair value of the interest rate swap contracts was £23.0 million as at 31 December 2023 (2022: £30.5 million) and is included in Other receivables and prepayments and Other non-current financial assets on the consolidated statements of financial position.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Effect on profit before tax £'000		
Increase in floating interest rate[1]	GBP	EUR	US Dollar
1%	38	43	118
2%	76	87	236
5%	189	217	590

1 The assumed movement in floating interest rate for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

b. Credit risk

The Group trades only with recognised, creditworthy third parties. It has policies in place to ensure that sales are made to customers with an appropriate credit history. The Company's policies ensure that sales to customers are settled through advance payments, in cash or by major credit cards (individual customers). Since the Group trades only with recognised third parties, there is no requirement for collateral for debts with third parties. Furthermore, the Group has no dependency on any of its customers. The receivable balances are monitored on an ongoing basis. Management monitors the collection of receivables through credit meetings and weekly reports on individual balances of receivables. The maximum credit exposure equals the carrying amount of the trade receivables

and other receivables since a loss allowance for expected credit losses is recorded in respect of all trade and other receivables. The result of these actions is that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group has limited concentration risk in respect of its cash at banks.

c. Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group's policy is to arrange medium-term bank facilities to finance its construction operation and then to convert them into long-term borrowings when required.

The Group continues to hold a strong liquidity position with an overall consolidated cash balance of £150.4 million as at 31 December 2023.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2023 and 2022 based on contractual undiscounted payments.

	As at 31 December 2023					
	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]	20,131	59,145	91,352	659,588	195,015	1,025,231
Financial liability in respect of Income Units sold to private investors[2]	3,828	11,483	15,311	45,933	114,287	190,842
Lease liability[3]	3,145	9,944	14,508	42,322	885,424	955,343
Trade payables	15,067	–	–	–	–	15,067
Other liabilities	45,793	30,061			20,612	96,466
	87,964	110,633	121,171	747,843	1,215,338	2,282,949

	As at 31 December 2022					
	Less than 3 months £'000	3 to 12 months £'000	Year 2 £'000	Year 3 to 5 £'000	> 5 years £'000	Total £'000
Interest-bearing loans and borrowings[1]	19,319	56,534	59,962	545,414	322,947	1,004,176
Financial liability in respect of Income Units sold to private investors[2]	3,285	9,855	13,140	39,420	121,084	186,784
Lease liability[3]	3,248	9,919	13,498	39,848	890,068	956,581
Trade payables	13,565	–	–	–	–	13,565
Other liabilities	37,707	37,630	–	–	18,062	93,399
	77,124	113,938	86,600	624,682	1,352,161	2,254,505

1 See Note 13 for further information.
2 Presented according to discounted amount due to the variability of the payments over the balance of the 999-year term.
3 Lease liability includes four leases with upward rent reviews based on future market rates in one lease and changes in the CPI/RPI in the other lease and, thus, future payments have been estimated using current market rentals and current United Kingdom-based CPIs/RPIs, respectively, except Park Plaza London Waterloo where the amounts included 50 years of future payments regarding the lease of Park Plaza London Waterloo instead of 199 years as stated in the lease agreement. Also, the amounts do not take into account the collar of 2%. The Group's management believes that the amount included in the above table reflects the relevant cash flow risks to which the Group would be reasonably exposed in the ordinary course of business.

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.

	2023 £'000	2022 £'000
Interest-bearing bank loans and borrowings	893,036	864,732
Less – cash and cash equivalents	(150,416)	(163,589)
Less – long-term restricted cash	(10,385)	(9,272)
Less – short-term restricted cash	(6,909)	(9,229)
Net debt	725,326	682,642
Equity	531,173	503,245
Hedging reserve[1]	(15,396)	(20,398)
Total capital	515,777	482,847
Capital and net debt	1,241,103	1,165,489
Gearing ratio	58.4%	58.6%

1 Includes the hedging reserve that is allocated to the Non-controlling interests.

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 approximates 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.

The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques for swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, and interest rate curves. The Group also granted share appreciation rights of the Company to Clal (see Note 5b) 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 2023, the Group held the following financial instruments measured at fair value:

Liabilities

	31 December 2023 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Share appreciation rights	2,703	–	2,703	–

Assets

	31 December 2023 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Interest rate swaps used for hedging	22,977	–	22,977	–
Income Units in Park Plaza County Hall London	17,700	–	17,700	–

As at 31 December 2022, the Group held the following financial instruments measured at fair value:

Liabilities

	31 December 2022 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Share appreciation rights	5,519	–	5,519	–

Assets

	31 December 2022 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Interest rate swaps used for hedging	30,539	–	30,539	–
Income Units in Park Plaza County Hall London	16,100	–	16,100	–

During 2023 and 2022, 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	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Financial liabilities				
Bank borrowings	893,036	864,732	860,244	811,179

Note 30 Subsequent events
a. Tourist land regulations in Croatia
On 9 February 2024 the final regulation concerning tourist land was passed by the Croatian Government (see Note 14).

b. Final dividend
The Board is proposing a final dividend payment of 20 pence per share (2022: 12 pence per share). Subject to shareholder approval at the Annual General Meeting.

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	55.1
A40 Data Centre B.V.	Holding company	Netherlands	100
A40 Office B.V.	Holding company	Netherlands	100
ABK Hotel Holding B.V.	Holding company	Netherlands	53.8
ACO Hotel Holding B.V.	Holding company	Netherlands	53.8
Amsterdam Airport Hotel Holding B.V. (formerly known as Victoria Schiphol Holding B.V.)	Holding company	Netherlands	100
Amsterdam Airport Hotel Operator B.V.	Hotel operation	Netherlands	100
Arena 88 Rooms Holding d.o.o.	Holding company	Serbia	53.8
Arena 88 Rooms d.o.o.	Hotel operation	Serbia	53.8
ARENA FRANZ Ferdinand GmbH	Hotel operation	Austria	53.8
Arena Hospitality Group d.d.	Hotel operation	Croatia	53.8
Arena Hospitality Management d.o.o.	Management	Croatia	53.8
art'amsterdam Hotel Operator B.V.	Hotel operation	Netherlands	100
art'otel Berlin City Center West GmbH	Hotel operation	Germany	53.8
art'otel köln betriebsgesellschaft mbH	Hotel operation	Germany	53.8
Art'otel (I.L.) Management Services Limited (under liquidation)	Holding company	Israel	100
Aspirations (Limited)	Holding company	Guernsey	51
Bora B.V. (formerly known as WH/DMREF Bora B.V.)	Holding company	Netherlands	100
Bora Finco B.V.	Holding company	Netherlands	100
County Hall Hotel Holdings B.V. (formerly known as PPHE Arena Holding B.V.)	Holding company	Netherlands	100
Dvadeset Osam d.o.o. (formerly known as W2005/Dvadeset Osam d.o.o.)	Holding company	Croatia	100
Eindhoven Hotel Operator B.V.	Hotel operation	Netherlands	100
Euro Sea Hotels N.V.	Holding company	Netherlands	100
Germany Real Estate B.V.	Holding company	Netherlands	53.8
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

Name of company	Principal activity	Country of incorporation	Direct and indirect holdings %
Londra Cargill Parent S.r.l.	Holding company	Italy	100
Marlbray Limited	Holding company	United Kingdom	100
Mazurana d.o.o.	Holding company	Croatia	53.8
North Lambeth Holding B.V.	Holding company	Netherlands	100
Nottingham Hotel Operator Limited	Hotel operation	United Kingdom	100
Oaks Restaurant Operator Limited	Hotel operation	United Kingdom	100
Park Plaza Berlin Hotelbetriebsgesellschaft mbH (in liquidation)	Hotel operation	Germany	53.8
Park Plaza County Hall London Ltd	Holding company	United Kingdom	11.5
Park Plaza Germany Holdings GmbH	Holding company	Germany	53.8
Park Plaza Hospitality Services (UK) Limited	Hotel operation	United Kingdom	100
Park Plaza Hotels (Germany) Services GmbH	Hotel operation	Germany	53.8
Park Plaza Hotels (UK) Limited	Holding company	United Kingdom	100
Park Plaza Hotels (UK) Services Limited	Management	United Kingdom	100
Park Plaza Hotels Berlin Wallstrasse GmbH	Hotel operation	Germany	53.8
Park Plaza Hotels Europe (Germany) B.V.	Holding company	Netherlands	100
Park Plaza Hotels Europe B.V.	Management	Netherlands	100
Park Plaza Hotels Europe Holdings B.V.	Holding company	Netherlands	100
Park Plaza Nürnberg GmbH	Hotel operation	Germany	53.8
Park Royal Hotel Holding B.V. (formerly known as Club A40 Holding B.V.)	Holding company	Netherlands	100
Park Royal Hotel Operator Limited (formerly known as Club A40 Hotel Operator Limited)	Hotel operation	United Kingdom	100
Parkvondel Hotel Holding B.V.	Holding company	Netherlands	100
Parkvondel Hotel Operator B.V.	Hotel operation	Netherlands	100
Parkvondel Hotel Real Estate B.V.	Holding company	Netherlands	100
PPHE Art Holding B.V.	Holding company	Netherlands	100
PPHE Coop B.V.	Holding company	Netherlands	100
PPHE Germany B.V.	Holding company	Netherlands	100
PPHE Germany Holdings GmbH	Holding company	Germany	53.8
PPHE Headco Limited	Holding company	United Kingdom	100
PPHE Holdings Limited	Holding company	United Kingdom	100
PPHE Hotel Group Limited	Holding company	Guernsey	100
PPHE Hoxton B.V.	Holding company	Netherlands	51
PPHE Living Limited	Holding company	United Kingdom	100
PPHE Management (Croatia) B.V.	Holding company	Netherlands	100
PPHE Netherlands B.V. (formerly Maastricht Hotel Holding B.V.)	Holding company	Netherlands	100
PPHE NL Region B.V.	Holding company	Netherlands	100
PPHE Nürnberg Operator Hotelbetriebsgesellschaft mbH	Hotel operation	Germany	53.8
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

Name of company	Principal activity	Country of incorporation	Direct and indirect holdings %
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
Signature Sub BV	Holding company	Netherlands	51
Signature Top Ltd	Holding company	United Kingdom	51
Signature Top II Ltd	Holding company	United Kingdom	51
Società Immobiliare Alessandro De Gasperis S.r.l.	Hotel operation	Italy	51
South Bank Hotel Management Company Ltd	Holding company	United Kingdom	11.5
Suf Holding B.V.	Holding company	Netherlands	100
Sugarhill Investments B.V.	Holding company	Netherlands	53.8
SW Szállodaüzemeltető Kft	Hotel operation	Hungary	53.8
The Mandarin Hotel B.V.	Holding company	Netherlands	100
TOZI Restaurant Operator Limited	Hotel operation	United Kingdom	100
Ulika d.o.o.	Holding company	Croatia	53.8
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
Radisson RED Belgrade (former 88 Rooms Hotel)	Belgrade, Serbia	Repositioning	Opened February 2024
art'otel London Hoxton	London, United Kingdom	New development	Expected to open Q2 2024
Radisson RED Berlin Kudamm (former Park Plaza Berlin Kudamm)	Berlin, Germany	Repositioning	Expected to open Q2 2024
art'otel Rome Piazza Sallustio	Rome, Italy	Repositioning	Expected to open H1 2024
Development project London Victoria	London, United Kingdom	Asset optimisation	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 in New York City	New York City, United States	New development	Temporarily paused
Guest House Hotel Riviera, Pula	Istria, Croatia	Repositioning	Temporarily paused

Glossary

Annual General Meeting	The Annual General Meeting of PPHE Hotel Group.
Annual Report and Accounts	The Annual Report of PPHE Hotel Group in relation to the year ended 31 December 2023.
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), Greg Hegarty (Co-Chief Executive Officer), Daniel Kos (Chief Financial Officer & Executive Director), Kevin McAuliffe (Non-Executive Deputy Chairman), Nigel Keen (Non-Executive Director & Senior Independent Director), Ken Bradley (Non-Executive Director), Stephanie Coxon (Non-Executive Director), Marcia Bakker (Non-Executive Director).
Capital expenditure	Purchases of property, plant and equipment, intangible assets, associate and joint venture investments, and other financial assets.
Company	PPHE Hotel Group Limited, a Guernsey incorporated Company listed on the Main Market of the London Stock Exchange plc.
Derivatives	Financial instruments used to reduce risk, the price of which is derived from an underlying asset, index or rate.
Direct channels	Methods of booking hotel rooms (both digital and voice) not involving third-party intermediaries.
Dividend per share	Proposed/approved dividend for the year divided by the weighted average number of outstanding shares after dilution at the end of the period.
Employee engagement survey	We ask our team members to participate in a survey to measure employee engagement.
EPRA (European Public Real Estate Association)	The EPRA reporting metrics analyse performance (value, profit and cash flow) given that we have full ownership of the majority of our properties.
EPS	Earnings per share.
EU	The European Union.
Euro/EUR €	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 year's 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.
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. www.parkplaza.com
Pipeline	Hotels/rooms that will enter the PPHE Hotel Group system at a future date.
Pound Sterling/ GBP £	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 1,250 hotels in operation and under development, located in more than 95 countries and territories, operating under global hotel brands. Jin Jiang International Holdings is the majority shareholder of Radisson Hotel Group. www.radissonhotelgroup.com
Radisson Rewards™	The hotel rewards programme of Radisson Hotel Group, including Park Plaza® Hotels & Resorts and art'otel®. The programme is owned by Radisson Hotel Group. Gold Points® is the name of the currency earned through the Radisson Rewards™ programme. www.radissonrewards.com
Responsible Business	PPHE Hotel Group's Responsible Business strategy is a genuine, active and responsible commitment to our environment and society.
Room count	Number of rooms franchised, managed, owned or leased by PPHE Hotel Group.
Subsidiary	A company over which the Group exercises control.

Weighted average number of shares outstanding during the year	The weighted average number of outstanding shares taking into account changes in the number of shares outstanding during the year.
Working capital	The sum of inventories, receivables and payables of a trading nature, excluding financing and taxation items.

Alternative Performance Measures

In order to aid stakeholders and investors in analysing the Group's performance and understanding the value of its assets and earnings from a property perspective, the Group have disclosed the following Alternative Performance Measures which are commonly used in the Real Estate and the Hospitality sectors.

EBIT	Earnings before interest (Financial income and expenses), tax, share in results of joint ventures and exceptional items presented as other income and expense.
EBITDA	Earnings before interest (Financial income and expenses), tax, depreciation and amortisation, impairment loss, share in results of joint ventures and exceptional items presented as other income and expense.
EBITDA margin	EBITDA divided by total revenue.
EBITDAR	Earnings before interest (Financial income and expenses), tax, depreciation and amortisation, impairment loss, rental expenses, share in results of joint ventures and exceptional items presented as other income and expense.
Earnings (loss) per share	Basic earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.
Basic earnings per ordinary share	Profit available for PPHE Hotel Group equity holders divided by the weighted average number of ordinary shares in issue during the year.
Adjusted EPRA earnings	EPRA earnings with the Company's specific adjustments. The main adjustments include removal of unusual or onetime influences which are not part of the Group's regular operations and adding back the reported depreciation charge, which is based on assets at historical cost, and replacing it with a charge calculated as 4% of the Group's total revenues, representing the Group's expected average cost to upkeep the real estate in good quality.
Adjusted EPRA earnings per share	Adjusted EPRA earnings divided by the weighted average number of ordinary shares outstanding during the year.
EPRA earnings	Shareholders' earnings from operational activities adjusted to remove changes in fair value of financial instruments and reported depreciation.
EPRA earnings per share	EPRA earnings divided by the weighted average number of ordinary shares outstanding during the year.
EPRA Net Asset Value (EPRA NAV)	Recognised equity, attributable to the parent company's shareholders, including reversal of derivatives, deferred tax asset for derivatives, deferred tax liabilities related to the properties and revaluation of operating properties.
EPRA Net Re-instatement Value (EPRA NRV)	Recognised equity, attributable to the parent company's shareholders on a fully diluted basis adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model (deferred tax on timing differences and financial instruments).
EPRA Net Re-instatement Value (EPRA NRV) per share	EPRA NRV divided by the fully diluted number of shares at the end of the period.
EPRA Net Disposal Value (EPRA NDV)	Recognised equity, attributable to the parent company's shareholders on a fully diluted basis adjusted to include properties, other investment interests, deferred tax, financial instruments and fixed interest rate debt at disposal value.
EPRA Net Disposal Value (EPRA NDV) per share	EPRA NDV divided by the fully diluted number of shares at the end of the period.
EPRA Net Tangible Assets (EPRA NTA)	Recognised equity, attributable to the parent company's shareholders on a fully diluted basis adjusted to include properties and other investment interests at fair value and to exclude intangible assets and certain items not expected to crystallise based on the Company's expectations for investment property disposals in the future.
EPRA Net Tangible Assets (EPRA NTA) per share	EPRA NTA divided by the fully diluted number of shares at the end of the period.
EPRA LTV	Net debt based on proportionate consolidation divided by the sum of the market value of the properties and the net working capital and excluding certain items not expected to crystallise in a long-term investment property business model (deferred tax on timing differences and financial instruments) based on proportionate consolidation.
Gearing Ratio	Net bank debt divided by the sum of total equity excluding hedging reserve and net bank debt.
Debt Service Coverage Ratio (DSCR)	EBITDA, less net expenses for financial liability in respect of Income Units sold to private investors and lease payments, divided by the sum of interest on bank loans and yearly bank loans redemption.
Interest Cover Ratio (ICR)	EBITDA, less net expenses for financial liability in respect of Income Units sold to private investors and lease payments, divided by interest on bank loans.
Loan-to-value ratio (LTV)	Interest-bearing liabilities after deducting cash and cash equivalents as a percentage of the properties' market value at the end of the period.
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.
Normalised profit before tax	Profit before tax adjusted to remove unusual or onetime influences which are not part of the Group's regular operations.
Occupancy	Total occupied rooms divided by net available rooms or RevPAR divided by ARR.
Average room rate (ARR)	Total room revenue divided by the number of rooms sold.
RevPAR	Revenue per available room. Total rooms revenue divided by net available rooms or ARR x occupancy %.

Contacts

Directors

Eli Papouchado	(Non-Executive Chairman)
Yoav Papouchado	(Alternate Director)
Boris Ivesha	(President & Chief Executive Officer)
Greg Hegarty	(Co-Chief Executive Officer)
Daniel Kos	(Chief Financial Officer & Executive Director)
Ken Bradley	(Non-Executive Deputy Chairman)
Nigel Keen	(Non-Executive Director & Senior Independent Director)
Stephanie Coxon	(Non-Executive Director)
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pphe.com
arenahospitalitygroup.com

For reservations

radissonhotels.com
parkplaza.com
artotel.com
arenahotels.com
arenacampsites.com

Strategic partner

radissonhotelgroup.com

Forward-looking statements
This document may contain certain "forward-looking statements" which reflect the Company's and/or the Directors' current views with respect to financial performance, business strategy and future plans, both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward-looking nature. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. Any forward-looking statements in this document reflect the Group's current views with respect to future events and are subject to risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy. These forward-looking statements speak only as of the date on which they are made. Subject to any legal or regulatory obligations, the Company undertakes no obligation publicly to update or review or revise any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Nothing in this document should be considered as a profit forecast.

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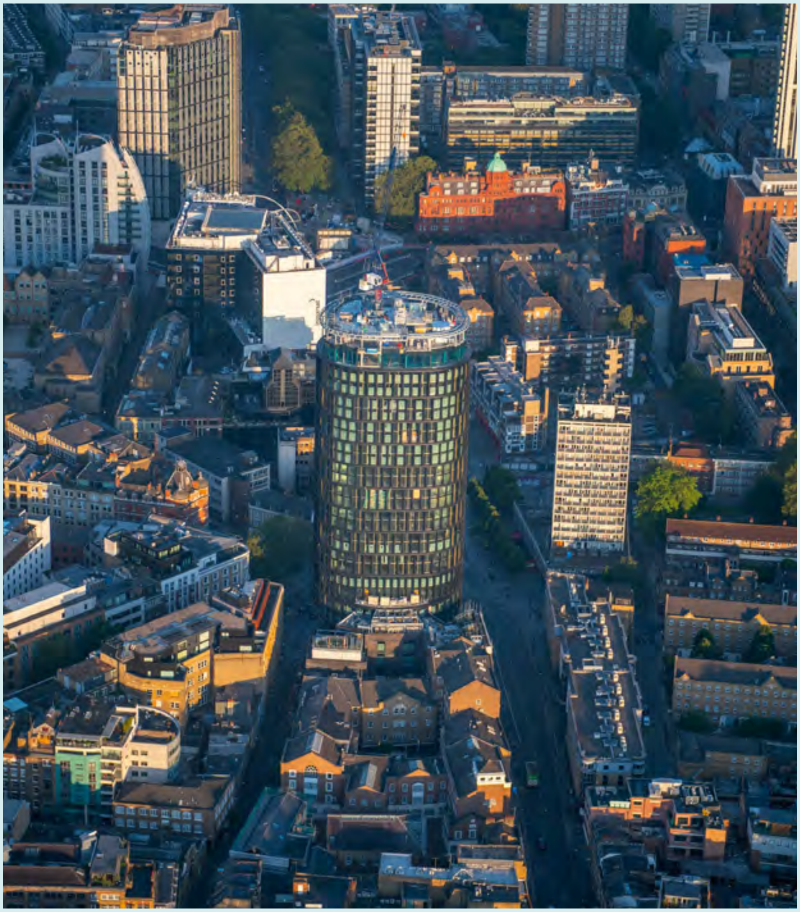

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