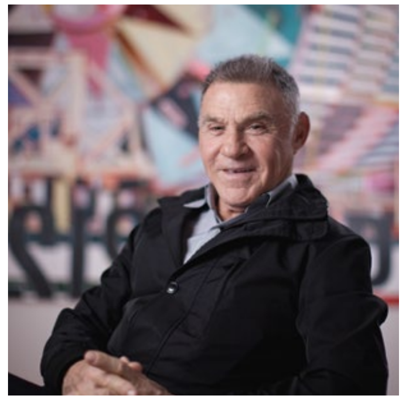
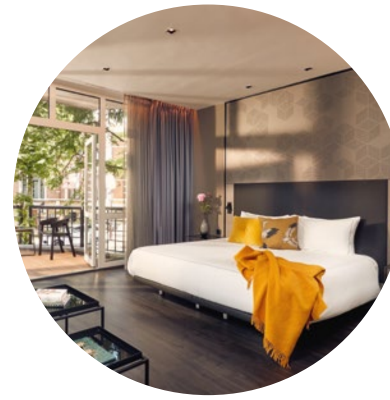
pphe HOTEL GROUP

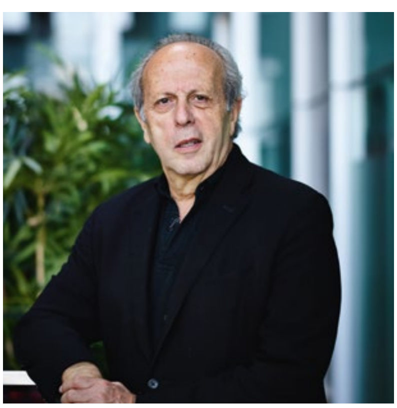
ANNUAL REPORT
AND ACCOUNTS 2019

THE VALUE WE CREATE

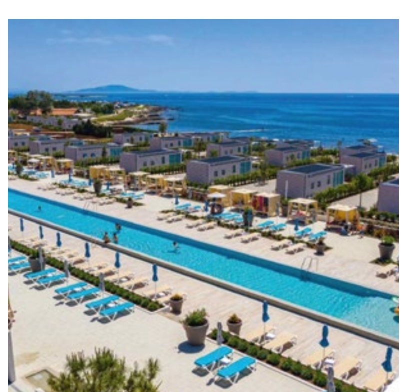
art'otel PARK PLAZA ARENA HOTELS & APARTMENTS ARENA CAMPSITES







THE VALUE WE CREATE



INVESTMENT PROPOSITION

Asset value growth
We develop our own assets and have grown our EPRA NAV per share by 300% over the past decade. EPRA NAV per share at 31 December 2019 was £25.46

Operating earnings
Adjusted EPRA earnings per share for the 12 months to 31 December 2019 at 128 pence

Healthy leverage
Net bank debt leverage ratio of 29.4% as at 31 December 2019 and our growth since IPO has been funded without diluting shareholders

Progressive dividend policy
Dividend has grown with a 16.6% CAGR over the past five years (excluding special dividend of £1 per share in 2016). The total ordinary dividend for the year ended 31 December 2019 is 37 pence per share, representing a year-on-year growth of 5.7%

Attractive pipeline
Attractive development pipeline in Hoxton London, New York City, Belgrade and Zagreb

OUR PURPOSE

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

WHO WE ARE

We are an international hospitality group with a strong prime real estate portfolio consisting of 45 properties under operation in five countries, that transforms an asset's potential into value and profits.

WHAT WE DO

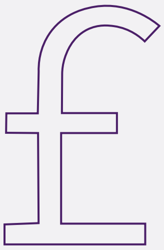
We have a clear strategy to drive growth and create long-term value while recognising and developing opportunities to help our assets reach their full potential. We delight our guests every day, through engaging service and quality products in inviting places.

HOW WE DO IT

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

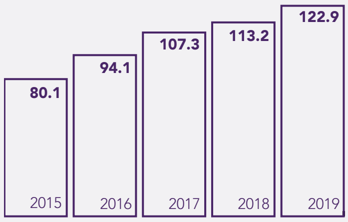
£357.7m

TOTAL REVENUE



£122.9m

EBITDA

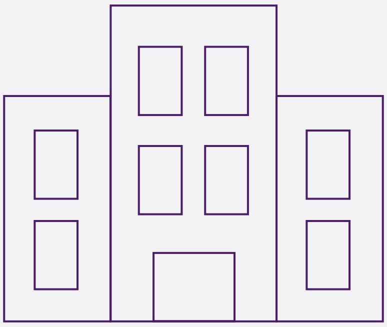


£40.7m

NORMALISED PROFIT BEFORE TAX

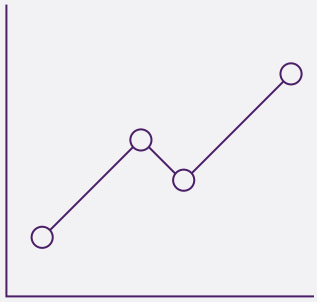
£1.7bn

PROPERTY



£25.46

EPRA NAV PER SHARE

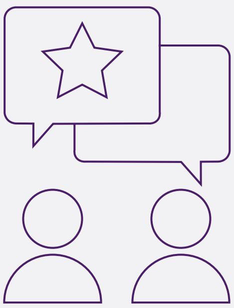


800+

PIPELINE ROOMS

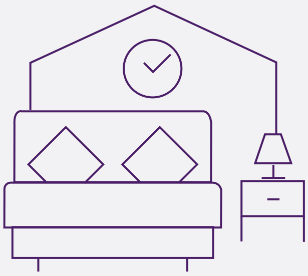
4,700+

TEAM MEMBERS



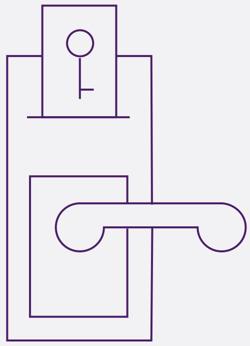
£128.5

AVERAGE ROOM RATE



£103.6

REVPAR



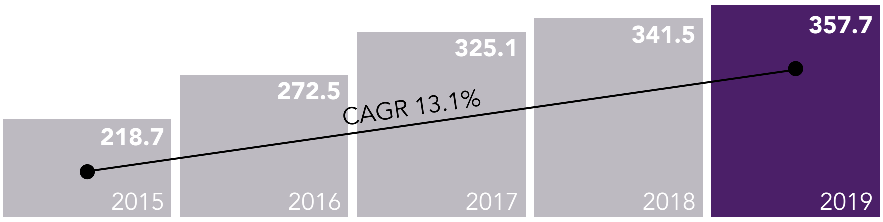
We create memorable guest experiences by owning, developing and operating hotels and resorts in dynamic, vibrant cities and leisure destinations. Our properties are managed by experienced teams living our values every day, creating unique experiences. We create stakeholder value at every step of the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

FINANCIAL HIGHLIGHTS

TOTAL REVENUE

£m

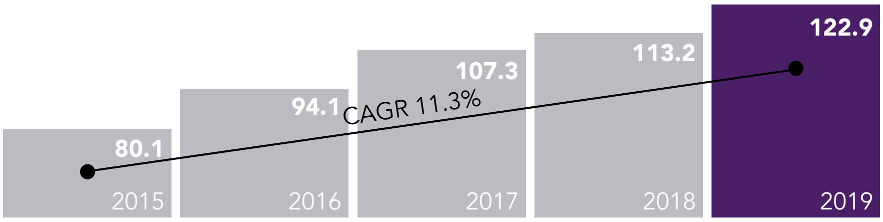
£357.7m



EBITDA

£m

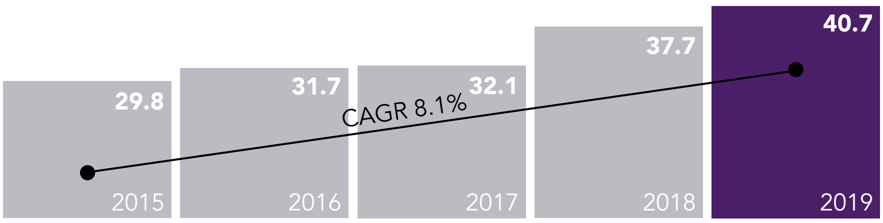
£122.9m



NORMALISED PROFIT BEFORE TAX

£m

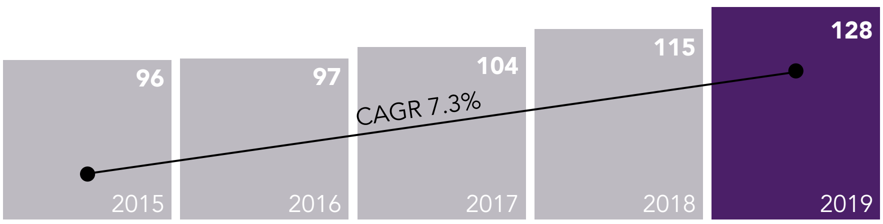
£40.7m



ADJUSTED EPRA EPS

Pence

128p

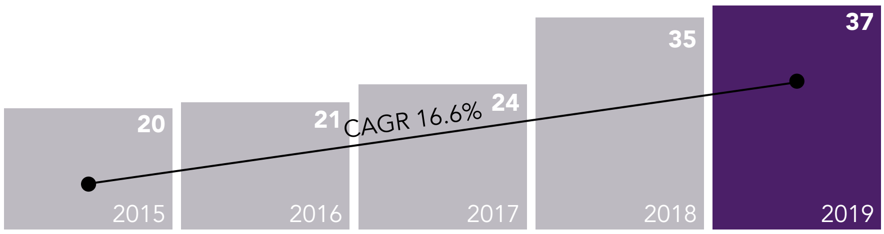


Read more – pages 48 and 49

DIVIDEND PER SHARE

Pence

37p

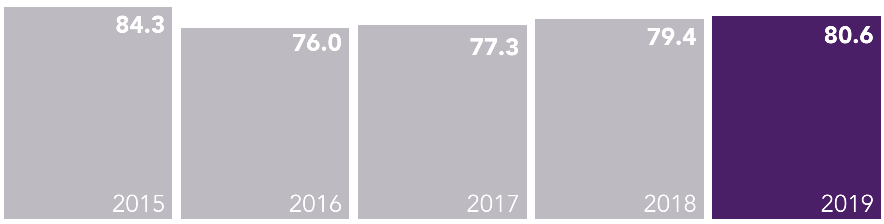


OPERATING HIGHLIGHTS

OCCUPANCY

%

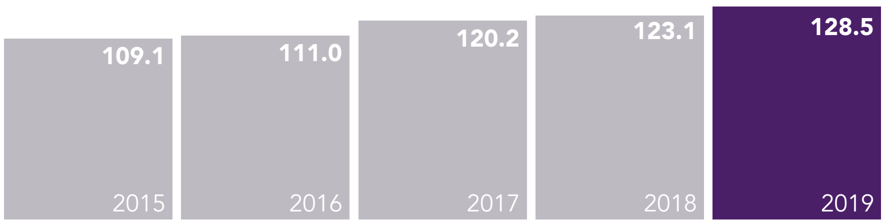
80.6%



AVERAGE ROOM RATE

£

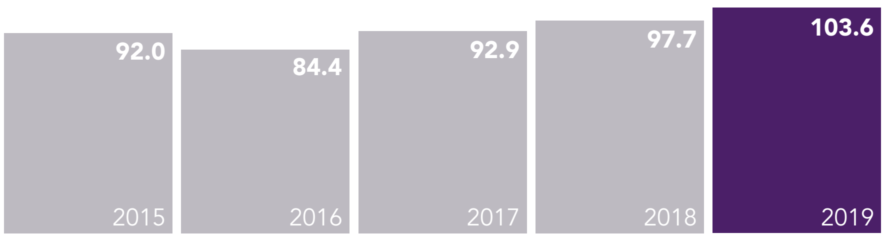
£128.5



REVPAR

£

£103.6



BUSINESS MODEL

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

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

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

Read more – page 18 and 19

PRIME LOCATIONS

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

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

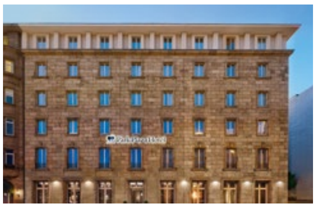
Park Plaza London Waterloo
Close proximity to Waterloo Station
494 rooms

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

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

Park Plaza Victoria Amsterdam
Opposite Amsterdam Central Station
298 rooms

art'otel amsterdam
Opposite Amsterdam Central Station
107 rooms



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

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

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

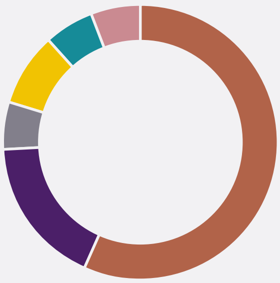
Park Plaza Belvedere Medulin
Iconic leisure and sports hotel
427 rooms

Park Plaza Histria Pula
Dramatic beachfront setting
369 rooms

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

VALUE SPLIT BY GEOGRAPHY[1]

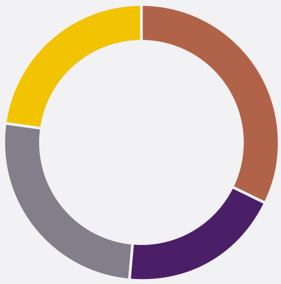
(Excludes managed, operated, leased, franchised and co-owned hotels)



- **£969m** United Kingdom
- **£297m** The Netherlands
- **£94m** Germany and Hungary
- **£145m** Croatia hotels and resorts
- **£99m** Croatia campsites
- **£99m** Assets under development[2]

HOTELS AND RESORTS BY GEOGRAPHY

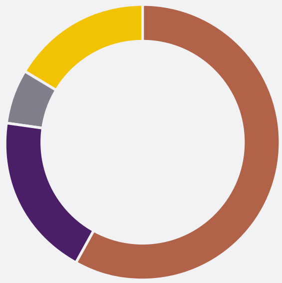
(Includes franchises, excludes campsites and pipeline)



- **10** hotels **3,681** rooms United Kingdom
- **6** hotels **1,073** rooms The Netherlands
- **8** hotels **1,271** rooms Germany and Hungary
- **7** hotels **6** resorts **2,775** rooms Croatia

HOTELS AND RESORTS BY OWNERSHIP TYPE

(Includes franchises, excludes campsites and pipeline)



- **18** hotels **6** resorts **5,925** rooms Freehold
- **6** hotels **1,623** rooms Long leasehold
- **2** hotels **242** rooms Co-owned
- **5** hotels **1,010** rooms Managed, operated, leased or franchised

1 The fair values were determined on the basis of independent external valuations prepared in the summer of 2019.
2 Includes the development sites in Hoxton, London and nearby Waterloo Station.

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

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

- Central reservation and distribution system
- Powerful online and mobile platforms
- Radisson Rewards™ programme with 24 million members
- Global sales, marketing and buying power

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

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

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

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

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

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

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

OPERATING ACROSS THE VALUE CHAIN

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

0%

	Site acquisition	Development/ repositioning	Hotel ownership	Hotel operation
pphe HOTEL GROUP TOTAL VALUE CHAIN	✓	✓	✓	✓
BUSINESS MODEL BENEFITS	Secure best locations and control over all aspects of the hotel design		Independence and control, no conflict of interest	
SHAREHOLDER VALUE PROPOSITION	Value gains through development and repositioning		Rental income and value appreciation	Net operating profit from rooms, food & beverage
TYPICAL ASSET-LIGHT MODEL ADOPTED BY LARGE HOTEL GROUPS				✓ Asset operated under operational lease agreement
TYPICAL ASSET-HEAVY MODEL			✓ Asset owned and leased to third party	✓ Asset owned but managed by third party

100%

	Hotel management	Brand	Asset management	Extracting value	Reinvestment/ cash recycling
	✓	✓	✓	✓	✓
Ensure consistency of brand standards and guest service levels are maintained throughout the estate			Optimise timing to refurbish and reposition	(Re) finance with asset backing to extract value	Re-invest extracted cash to enable further growth
	Fee-based income as a % of revenue and profit		Value gains	Source for funding future growth	
	✓ Management agreement to earn a fee based income as a % of revenue and profit	✓ Franchise agreement (or the usage of a brand, income as a % of revenue)			
				✓ Sale of asset	

Thirty years in the making

Thirty years ago the foundations of the Company were formed with the opening of our first hotel in Eindhoven, the Netherlands in 1989. It is a proud moment for me personally and a credit to the expertise and dedication of the entire team that the Group has consistently grown over the last three decades. Today, the Group has an international property portfolio of 45 hotels, resorts and campsites in operation, predominately trading under the brands of Park Plaza and art'otel, as well as an exciting £300 million plus development pipeline for future growth.

The quality of our property portfolio was confirmed in an independent valuation by Savills and Zagreb Nekretnine Ltd (ZANE) in summer 2019 at £1.7 billion, translating to NAV per share of £25.46.

Delivering for shareholders

In 2019, we continued to make financial progress with like-for-like revenue and EBITDA up 5.2% and 3.4% respectively.

We have continued to deliver strong returns for shareholders, achieving a Total Shareholder Return of 13.8% for the year.[1]

A further important milestone in the Company's evolution was reached in 2019 with the Group's inclusion in the FTSE 250 Index. As we continue to grow in size and stature, we recognise the need to further strengthen our financial reporting, corporate communications and our governance, whilst staying true to our entrepreneurial roots.

Our approach

As an owner operator with extensive development expertise we take a different approach to many of the large global hotel companies, by choosing to operate across the whole value chain.

Our key sources of value emanate from our real estate and hospitality expertise, our access to global brands and distribution systems, our passionate and highly-trained people and our proven financial strength, combined with our ability to secure capital.

As established hospitality operators we are always aiming for operational excellence. We are continuously seeking out and evaluating new property opportunities, as well as refurbishing and repositioning our existing assets. With our expertise in development we are able to marry this with the aspirations to create new opportunities. Our owner operator business model enables us to enhance value through driving the business and gives us greater scope to maintain all our assets to the level required to achieve our aspirations of maximising operational revenue. Furthermore, we have the asset backing to refinance and recycle capital to fund further investments and facilitate future growth.

1 Source: Bloomberg TSR for the year ended 31 December 2019.

We own most of the properties we operate, which gives us greater control over our investment strategy, the quality of our products and our operations.

Control enables us to make swift investment decisions and seize opportunities as they arise, as well as capturing all of the economic upside. By regularly investing in our existing diverse portfolio we maintain a high quality estate which increases the value of our portfolio of assets, inspires our team members, and enables us to delight our guests every day with excellent guest experiences.

Responsible Business

Our sustainable business strategy is focused on our people, our places and our planet. Since launching our Responsible Business programme two years ago, we have been embedding this ethos into our culture and aligning it to our business strategy. We aim to have a target-based sustainable approach and have embed this at all levels across the Group.

We understand that the way we do business can have a significant impact on our communities and the world around us and that all of us have an increased level of responsibility in this area. In recognition of this, we have assembled a dedicated team to review our activities and refine our Environment, Social and Governance (ESG) frameworks. We have set up a programme to appoint a Responsible Business Ambassador from every property in our portfolio to promote and enhance our efforts across our estate.

Governance in action

High standards of governance are essential to creating long-term value for all of our stakeholders. We are committed to upscaling our corporate governance and sustainability programmes and recognise their increasing importance to our business. As part of our ongoing succession planning programme we promoted two senior company executives into key leadership positions, while also refreshing the Board with the appointment of two independent Non-Executive Directors in September 2019 and February 2020 respectively.

We were delighted to welcome Ken Bradley to the Board as an independent Non-Executive Director on 4 September 2019. Ken, who is a former Chief Country Officer of both RBSI and Barclays Bank, is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee.

We have listened to the views of shareholders and delivered on our commitment to appoint a further independent Non-Executive Director. Post the year end, Nigel Keen has been appointed to the role. Nigel has over 30 years' property expertise with leading blue chip companies and an established track record as a Non-Executive Director with companies including FTSE 250 constituent Vistry Group.

Following appointment and Nigel Jones retiring, following the forthcoming Annual General Meeting, the Board will include three independent Non-Executive Directors.

As previously announced, Kevin McAuliffe's membership of the Audit Committee came to an end at the Annual General Meeting in May 2019 and in November 2019 he stepped down from the Remuneration Committee after a transitional period.

Improving our transparency and reporting standards is part of our journey as a Company. We are actively working on creating greater transparency in our governance activities, as this report will illuminate.

For more see governance page 90

Diversity

The Board is committed to promoting diversity. As this was our first year in the FTSE 250, we now take part in the Hampton-Alexander Review. Our leadership, which includes the direct reports to the Chief Executive Officer and their direct reports currently consists of 48% women and 52% men. This is well ahead of the 33% target and 27.9% achieved by the FTSE 250.

Dividend

The Board is proposing a final dividend payment of 20 pence per share, bringing the total ordinary dividend for the year ended 31 December 2019 to 37 pence per share, representing a year-on-year increase of 5.7%.

This is in line with our progressive dividend policy and reflects the Board's confidence in the Group's operations, assets and prospects.

Current trading and outlook

Trading in 2020 has started well and in line with the Board's expectations, as we continue to capitalise on recent investment programmes to reposition properties in the UK, the Netherlands and Croatia. In the coming year, we will continue to ensure we have an attractive and well-invested estate which delivers memorable experiences for our guests and returns for our shareholders.

We remain vigilant to ongoing macro and geopolitical uncertainty and its potential impact on travel patterns, however the Board believe that recent investments across the estate and a balanced £300 million plus development pipeline spanning the UK, Europe and the US, combined with a strong balance sheet means the Group is well positioned for future growth. We will also continue to consider asset acquisitions that align with our strategic aims and deliver our target returns on investment.

I would like to take this opportunity to thank the members of the Board for their guidance. Additionally, I would like to thank all our team members for their hard work and commitment during 2019.

I am confident that PPHE Hotel Group can continue to create and deliver value for all our stakeholders in 2020 and beyond.

Papouchado

ELI PAPOUCHADO
CHAIRMAN

SECTION 172

In accordance with the UK Corporate Governance Code 2018, which incorporates section 172 of the UK Companies Act 2006, and as a matter of good governance, in our decision-making the Board considers the interests of the Group's employees and other stakeholders and understands the importance of taking into account their views and considers the impact of the Company's activities on the community, environment and the Group's reputation. In its decision-making, the Board also considers what is most likely to promote the success of the Company for its stakeholders in the long term.

Information about our stakeholders and on how the Board has discharged its duties having regard to the provisions of the UK Corporate Governance Code 2018 is available as follows:

- Team Members
- Investors
- Guests
- Local Communities
- Affiliates
- Suppliers

Read more about – How the Board is kept informed of stakeholder views and consideration of views of stakeholders in decision-making on pages 73 to 79

Read more about – How we manage our emerging and principal risks on pages 38 to 41

Read more about – Corporate governance framework on page 90

CELEBRATING 30 YEARS

1989

Foundations of the Company were formed with the acquisition of its first hotel in Eindhoven, the Netherlands

1993–1995

Acquisition of iconic Victoria Hotel Amsterdam and hotel in Utrecht. Group's hotels start using Park Plaza® brand

1999–2002

Group completes several development projects in central London, opening multiple hotels.

Expansion into Germany and Hungary, operating several Park Plaza® hotels and art'otels®

Entered into a strategic partnership with Carlson (now Radisson Hotel Group) for the Park Plaza® brand

2003–2006

Iconic Park Plaza London Riverbank developed by the Group as well as openings in Leeds, Nottingham, Cardiff and other markets

2007

Established Park Plaza Hotels Ltd and floated on AIM, raising £85 million for expansion

Acquired worldwide art'otel® brand rights

£85m

2008

Enters resort segment of the hospitality market by acquiring a minority interest in and management agreement for (what is known today as) Arena Hospitality Group, a 21-strong property portfolio

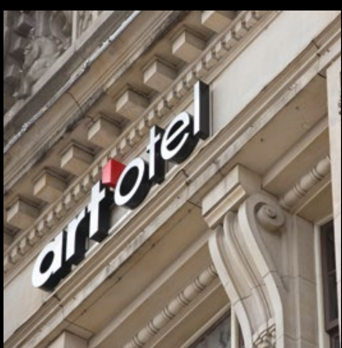
21

2010

Park Plaza Westminster Bridge London (1,019 rooms) developed by the Group opens, as well as new openings in Cologne and Amsterdam

2011

Migrate from AIM to the Main Market of the London Stock Exchange



2012

Company name changed to PPHE Hotel Group to align with its multi-brand strategy

First three Park Plaza® branded hotels open in Croatia following redevelopment

2013–2015

Opening of new hotels including the first art'otel developed by the Group (the 5-star art'otel Amsterdam) and a fourth Park Plaza hotel in Croatia

2016

Acquired controlling interest in Arena

Opening of Park Plaza Nuremberg developed by the Group

Start of multi-year repositioning and investment programme

2017

Secondary purchase offering in Croatia, raising €106 mio (€91 mio) for expansion and property upgrades

Opening of newly developed Park Plaza London Waterloo and Park Plaza London Park Royal

2018

Transfer to Premium Listing of London Stock Exchange

Membership of European Public Real Estate Association, EPRA

Completion of seven storey extension and repositioning of Park Plaza London Riverbank and full repositioning of Park Plaza Victoria Amsterdam

Launch of Arena One 99 an all-glamping product, the first repositioning of one of Arena's campsites

2019

Inclusion in FTSE 250 and FTSE All Share indices

Acquisition of first US site in New York City for art'otel® development

Completed repositioning programmes at Holmes Hotel London, Park Plaza Vondelpark, Amsterdam, Park Plaza Utrecht and Arena Kažela Campsite

Park Plaza UK awarded 'Large Hotel Group of the Year' accolade by the AA

BORIS IVESHA
PRESIDENT & CHIEF EXECUTIVE OFFICER

CREATING VALUABLE MEMORIES

Our 2019 financial results coupled with our strategic progress demonstrates the strength of our business model, the appeal of our hospitality real estate portfolio and our rigorous focus on performance, in what has been a year characterised by high levels of geopolitical uncertainty.

2019 at a glance

Strategic progress

We demonstrated our real estate expertise, completing over £100 million of asset upgrade projects over the last three years. The significant repositioning of Holmes Hotel London (formerly known as Park Plaza Sherlock Holmes London), Park Plaza Vondelpark, Amsterdam and Park Plaza Utrecht were completed and relaunched. In Croatia, we finished the first phase of our plans to transform Arena Kažela Campsite into an upscale camping offer.

These projects have all been completed, and the rooms are now contributing to Group revenue.

As trading in these reopened properties continues to build, we are pleased with their performance.

We have also expanded our pipeline of new hotels and projects, extending our footprint into the USA and Serbia, and added to our strong presence in London. The site in New York City has been acquired with the intention of developing an art'otel branded hotel. Our Croatian subsidiary, Arena Hospitality Group ('Arena') entered into an agreement to acquire an 88-room, 4-star hotel in Belgrade, Serbia and, post the period end, Arena entered into a 45-year lease for the development and operation of a 115-room hotel in Zagreb, Croatia. These agreements are in line with Arena's strategy to expand its presence in the Central Eastern European region and reduce seasonal exposure.

In London, the Group acquired a freehold site on the South Bank, with a view to developing a hotel (subject to planning).

Further details on our progress are set out in the Business Review on pages 64 to 72, and additional details of our investment programmes and development projects can be found on pages 32 to 35.

Financial delivery

It is testament to the team that we delivered another year of growth in revenue and profit.

The Group delivered like-for-like revenue up 5.2% to £355.8 million, like-for-like EBITDA growth of 3.4% to £117.4 million, and maintained like-for-like EBITDA margin at 33.0%. The ordinary dividend for the full year increasing from 5.7% to 37p per share.

This performance reflected an increase in our key operating metrics, with RevPAR growth of 6.0% to £103.6, driven by a 120 bps improvement in occupancy and 4.4% increase in average room rate. RevPAR growth was achieved in certain regions, with the United Kingdom and the Netherlands the stand-out performers, achieving growth of 7.4% and 2.5% respectively. Both the United Kingdom and the Netherlands benefited from our 2017 and 2018 openings and the completion of repositioning projects.

Park Plaza London Waterloo

The annual independent revaluation exercise on our property assets was carried out by Savills and ZANE and valued our portfolio at £1.7 billion (as at 30 June 2019), an increase of 5% year-on-year. EPRA NAV per share increased by 3.6% to £25.46 per share (as at 31 December 2019), adversely impacted by the strengthening of Sterling. Adjusted EPRA earnings per share were up 11.7% to 128 pence.

Full details of the financial performance are set out in the Financial Review on pages 50 to 61.

Key corporate milestone

We achieved a key goal with the Company's inclusion in the FTSE 250 and FTSE All Share Indices. This marked a significant milestone in our corporate journey, proving the success of our recent corporate activity, which has been focused on providing the Group with the appropriate platform to engage with a wider potential investor base and improve share liquidity.

The foundations of our success

Controlling the value chain

The Group's strength is centred on our expertise in both real estate development and hospitality operations, built up over the last 30 years. This dual approach gives us the flexibility and control to invest in our hospitality operation and manage our assets to create maximum value for all our stakeholders; team members, investors, guests, local communities, affiliates and suppliers.

Property expertise

In addition to the considerable property and development expertise on the Board, we have a dedicated in-house capability spanning development and technical services. We have the in-house expertise to take projects from conception through to operation.

The team takes a disciplined and focused approach to asset management and identify opportunities to deploy capital to optimise the value in our existing portfolio, acquire further assets to drive growth and, where appropriate, extract value to fund longer-term sustainable growth.

In our hospitality operations, we are focused on achieving operational excellence. We are continually trying to identify better ways of working, while also looking at how we can raise the already high levels of service for our guests.

Our high Guest Rating Scores and healthy profit margins prove that the two are interrelated.

Holmes Hotel
London

What we do

We identify and acquire properties which we believe have significant upside potential. We delight our guests every day, through engaging service and quality products in inviting places.

Radisson Hotel Group partnership – global distribution and access to best in class technology

Through our exclusive perpetual licence from Radisson Hotel Group (which under its new Jin Jiang ownership is part of the world's second largest hotel group in terms of number of rooms) we have the rights to develop and operate Park Plaza branded hotels and resorts in Europe, the Middle East and Africa. This strategic partnership gives us many benefits, including access to Radisson's central reservation and distribution systems, powerful online and mobile platforms, global sales, reward programme with more than 24 million members, marketing initiatives and buying power.

In July 2019, Radisson Hotel Group announced a collaboration with WeHotel, the global hotel booking platform of new owners, Jin Jiang International. As part of this affiliation, WeHotel Prime, Jin Jiang's reward programme, is now available for high-end Radisson Hotel Group properties. PPHE is delighted to be part of a wider global distribution and marketing reach as we also continue to grow as a Group.

Through our partnership with Radisson Hotel Group, we have benefited, particularly over the summer of 2019, from a number of technology focused investment programmes including the launch of radissonhotels.com in July 2019. This is a multi-brand and mobile-first global website giving guests and loyalty members access to more than 1,100 hotels worldwide, including PPHE's portfolio. The new Radisson Hotels App, which launched shortly afterwards, provides our guests with an even more personalised user experience.

As part of Radisson Hotel Group's five-year operating plan, we will benefit from a multi-million-dollar technology investment, which unifies tasks such as reservations, loyalty, sales, property management and more. We look forward to the full roll-out, which will benefit our guests and team members alike, while further increasing the efficiency of our business.

We operate our own art'otel lifestyle brand (also marketed through our partnership with Radisson Hotel Group), and our majority-owned Croatian subsidiary operates several of its properties under the Arena Hotels & Apartments and Arena Campsites brands. Our multi-brand approach enables us to develop and operate properties across several segments of the hospitality market, and to choose the most appropriate brand for each property so that we can maximise returns from our assets.

Our people and values

Our people and our values of Trust, Respect, Teamwork, Enthusiasm, Commitment and Care are at the heart of our business success. We foster a high performing culture, led by our talented leadership team, in which engaged team members deliver best in class guest experiences, supported by high quality hotels and resorts.

We have refreshed our strategic purpose to ensure that our strategic objectives and business culture are aligned. At the start of the year we hosted an international leadership summit themed 'We Are Creators', the objective of which was to present our Company blueprint based on our owner/operator business model to more than 150 senior team members. We set out how our culture and day-to-day activities need to work together to deliver our corporate agenda, enhance guest experience and deliver value to all stakeholders. This Company blueprint has been rolled out across three out of our four regions, supported by in-country training workshops.

First class leadership team

We have a wealth of talent within the Group. Our Executive Leadership Team has decades of experience in the hospitality real estate industry, with all of the team rising through the ranks of the Group. They define and disseminate the Company's vision for future growth and success.

Our success and ambition are underpinned by our strong leadership team and culture of connecting, inspiring, innovating and empowering colleagues.

Looking after our team

We aim to create an open, fun and inclusive working environment where our people feel motivated and empowered. Team members are supported in their professional development and through our bespoke learning and development platform, you:niversity of which several programmes in 2019 won awards and key accolades, including Talent Development Team of the Year (Institute of Hospitality) and Excellence in Promoting Careers and Excellence in Learning & Development (HR in Hospitality). Our annual team member survey measures the engagement levels of our team members and in 2019, we were delighted that the engagement index score for the year was 84.4% (2018: 83.6%).

Pressures on the hospitality labour market have been well publicised. Like others operating in the sector, having a highly engaged workforce and attracting and retaining the right people are key priorities for us and crucial to our long-term success. To tackle some of these challenges, we have progressed several initiatives, alongside our award-winning bespoke learning and development programmes, to ensure that we can attract and retain the right people.

In addition to our Croatian region, we have in-sourced housekeeping services at our UK hotels which has ensured we employ the right team members and that our high standards of service are maintained at our properties. Similar to owning the property assets, this action was about giving us the control we need to ensure that the highest standards are met. Following the success of this strategy, we are reviewing whether to extend this approach to housekeeping services in our other regions.

One of the challenges for the wider industry is attracting workers into major cities where residential accommodation and travel is costly, such as London. To help address this issue, we acquired a property in Chiswick Park (the Old Bakery) in summer 2019, which has rooms to accommodate about 30 people who then commute to our properties on London's South Bank. We are considering the purchase of further properties to attract and retain the best people.

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

The Kitchen at Holmes

Guest experience

The Group's own dedicated Technology & Business Solutions division has progressed a number of guest experience programmes throughout 2019. This included IT security initiatives to support guest safety and security, along with new best practice policies and dedicated training programmes for team members (Information Security Awareness training solution).

We understand that technology plays a huge part in our guests' overall experience when staying with us. In addition to benefiting from access to technology programmes from our strategic partner Radisson, we are ourselves continuing to trial new solutions and applications to evolve our offering.

We recognise that our people make us who we are, and our recruitment strategy is centred on building teams of talent who reach out and engage with guests, making them feel welcome, valued, and inspired by the surroundings and excellent service. This commitment to guest experience has once again been recognised in our most recent online reputation score (as measured using ReviewPro's Guest Rating Score), which increased by 0.7 percentage points to 88.0% in 2019. These results show that our effort to incorporate guest feedback into our repositioning programme and our day-to-day service offering has proven successful.

Furthermore, our Guest Rating Scores at our three newly repositioned hotels significantly improved. At Park Plaza Vondelpark Amsterdam the Guest Rating Score increased 6.4 points to 90.1% following the relaunch of the hotel (prior to relaunch the score was 83.7%). Holmes Hotel London increased to 92.1% following the repositioning project, an increase of 7 points from 85.1% at the beginning of 2019. Park Plaza Utrecht, which started to see the benefits of the repositioning, increased by 8.2 points from 78.3% for the first half of 2019, to 86.5% for the final quarter of 2019.

Being part of our communities

We are committed to making a positive contribution to the communities in which we operate through charity initiatives and volunteering, supporting arts and culture, and providing jobs for those who live near to our properties.

We bi-annually support breast cancer and other health related charities. In 2019, team members and guests in the United Kingdom, the Netherlands, Germany and Hungary took part in the globally recognised charity, "Movember". Our local community charity support also includes supporting disadvantaged children and their family, elderly people and the homeless. We have also supported the arts through sponsorship of young designers and cultural festivals.

Further detail of our Responsible Business initiatives is set out on pages 80 to 89 of the Annual Report 2019.

Industry recognition

We were delighted for Park Plaza UK to be awarded the 'AA Large Hotel Group of the Year 2019-20' accolade at the 22nd annual AA Hospitality Awards in September 2019. This recognised our commitment and strategic approach to development, as well as our creative and learning development programmes, which together enable us to constantly delight our guests. This is one of the most highly regarded events in the industry and the award is testament to our owner/operator approach. The Group was awarded 'Talent Development Team of the Year' by the Institute of Hospitality Awards 2019 and at the HR in Hospitality Awards 2019 we won the 'Excellence in Promoting Careers Award'.

Our plans for 2020

Our 2019 financial results coupled with our strategic progress once again demonstrate the strength of our unique business model, the appeal of our hospitality real estate portfolio and our rigorous focus on performance. Over the last three years we completed more than £100 million asset upgrade investment projects, the continued benefit of which is being reflected in our financial performance and a significantly enhanced guest experience.

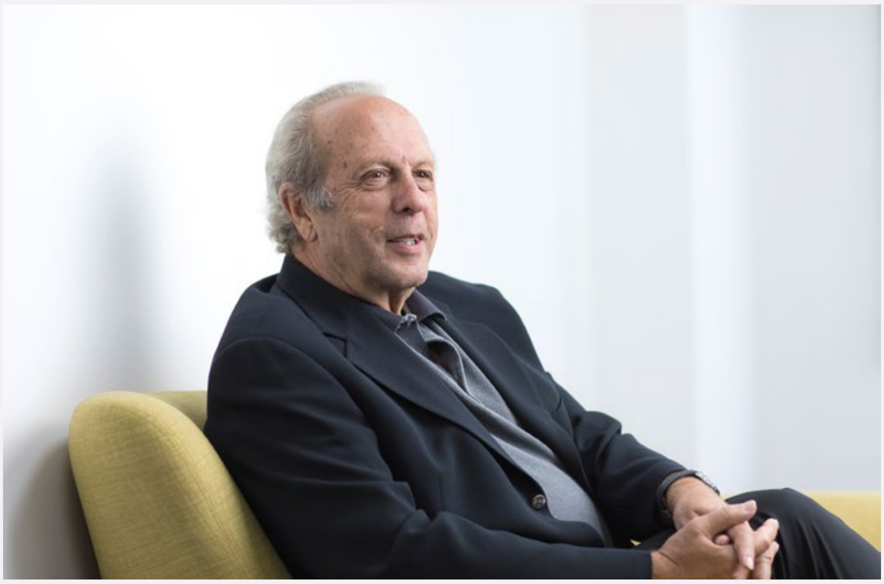
Whilst we are closely monitoring the current uncertain macro environmental developments related to the Coronavirus outbreak and its impact on travel patterns, trading for the two months in 2020 for our Group has been in line with the Board's expectations.

Our longer term outlook focuses on growth delivery through our well invested portfolio, the delivery of our more than £300 million development pipeline of new properties in London, New York and Eastern Europe and additional acquisition opportunities.

BORIS IVESHA
PRESIDENT &
CHIEF EXECUTIVE OFFICER

Park Plaza Histria, Pula

Q&A WITH BORIS IVESHA



Q – What is next for the Group, now that you have achieved one of your key goals for 2019 of FTSE 250 membership?

Joining the FTSE 250 index of leading companies was a proud moment for me personally and for the entire team, whose dedication and commitment in recent years has made it possible. We have come a long way in the 12 years since listing on AIM. But looking ahead it is now imperative that we raise our game even further to reap the rewards of inclusion and meet our responsibilities in terms of implementing further enhancements to our corporate governance. Inclusion brings us access to a wider investor community and we will continue to take the opportunity to proactively engage with them in order to build a long-term, high quality and supportive share register. The increased transparency and disclosure in this year's Annual Report should be seen as testament to our ongoing efforts to step-up our governance and communications.

From a strategic perspective we have a proven and winning formula of development, ownership and operations which we plan to continue with. While PPHE has come a long way in the past 30 year's the future looks equally as exciting, with a strong development pipeline of over £300 million, which includes the development of our first hotel in the US.

Q – What are the main opportunities and challenges you see in 2020?

Our primary near-term growth opportunity stems from the recent completion of our £100 million plus multi-year investment programme. These well-invested hotels have shown good growth since launching/reopening and we see the scope for further top-line growth and margin accretion in 2020. Our teams will be focused on ensuring that these hotels continue to build towards their return targets.

Considerable effort will be focused on our £300 million plus hotel development pipeline with major projects including the art'otel london hoxton and our first hotel in the USA, in New York City. The pace of work is planned to step up in 2020 in line with our plans to open these hotels in 2023. In addition to these projects, our in-house team will continue to seek out and evaluate further development opportunities that meet our returns criteria and are in line with our strategic goals.

The challenge for all hoteliers is the hotel cycle and fears of a downturn. As demonstrated in our financial results we achieved good growth throughout 2019 from leisure and corporate customers. While not immune, we are resilient given our well invested estate and the strategic position of our major assets in London and the Netherlands. Notwithstanding the ongoing macro economic and geopolitical uncertainty trading in the current year has started well and is in line with the Board's expectations.

As an owner/developer we are also able to seize commercial opportunities that may arise from any cyclical downturn as well as control the timing of further investment projects in our hotel estate.

Q – This remains a founder-led and listed business. What are you doing to ensure long-term success?

The foundations of our past and future success are solid; they are our people. We employ over 4,700 team members, including an Executive Leadership Team of eight. Supporting and encouraging all team members to develop and grow their careers within the business is a priority for us.

We have a robust process in place to ensure that the leadership teams are actively engaged with identifying our talented team members and developing them through our award-winning training and learning programmes, including you:niversity.

A prime example of our training and development culture in action was our 2019 leadership summit 'We Are Creators' held in London, which brought together more than 150 senior team members from each of our four European operating regions. We introduced our renewed strategy and our new blueprint, which aims to positively impact the guest experience. Our blueprint is 'the way we do things' and enables our Leadership Team to develop a high-performing culture where our teams feel engaged and empowered to create valuable memories for our guests and value for our assets, people and local communities. This blueprint and a supporting dedicated programme of activities have been cascaded through most of our regions during 2019 to embed this approach within our business culture.

Reporting to the Board is our eight-strong Executive Leadership Team, all of whom have progressed through the business. We have recently strengthened the leadership team, with Greg Hegarty appointed to the new position of Deputy Chief Executive Officer as well as retaining his position as Chief Operating Officer and Inbar Zilberman promoted to the role of Chief Corporate & Legal Officer.

In short, we have a strong track record of training and developing talent throughout all levels of the business and this gives me confidence that we can maintain our track record through the next 30 years.

OUR PURPOSE

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

WHO WE ARE
We are an international hospitality real estate group, with a prime property portfolio consisting of 45 properties in operation in five countries, that transforms an asset's potential into value and profits.

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

HOW WE DO IT
By valuing our people, being led by an entrepreneurial Board and through investing in our portfolio, opportunities with upside potential and local communities.

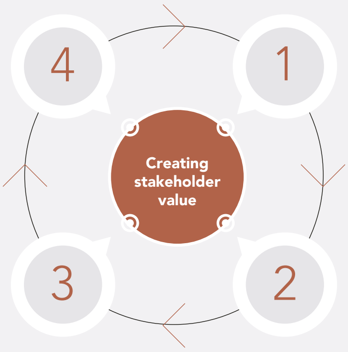
Key sources of value

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

OUR BUSINESS MODEL

Read more – pages 18 and 19

Our integrated model has driven significant value.



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

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

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

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

STRATEGIC AGENDA

Read more – pages 36 and 37

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

Property

- Disciplined, focused capital deployment
- Optimise the value of the existing portfolio
- Extract value from portfolio to fund further growth
- Long-term sustainability

Operations

- Consistently deliver the refreshed intended guest experience across our properties
- Maintain high operating margins
- Leverage our scale and inter-regional synergies

Underpinned by our people, values and culture

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

STRATEGIC PRIORITIES

Read more – pages 36 and 37

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

Property
Deliver all ongoing projects and expand pipeline
Deploy capital in projects and new properties meeting our yield profile
Mature recent openings and repositioned and renovated properties to generate targeted yield profile
Implement target-based sustainable business strategy

Operations
Develop a high performing culture, where engaged teams are empowered to create valuable memories for our guests and value for our assets
Improve the overall guest experience through creating valuable memories
Focus on total revenue generation with solid profit conversion
Implement target-based sustainable business strategy

PERFORMANCE MANAGEMENT

Read more – pages 50 to 61

Our KPIs and targets.

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

Operations
EBITDA and EBITDA margin
RevPAR
Employee engagement
Guest Rating Score (GRS™)

THE VALUE WE CREATE FOR OUR STAKEHOLDERS

Read more – pages 73 to 79

Team members

We offer rewarding international employment opportunities for over 4,700 team members with continuous investment in training programmes.

Guests

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

Investors

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

Local communities

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

Affiliates

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

Suppliers

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

Trust Respect Teamwork Enthusiasm Commitment Care

THE VALUE WE CREATE

CREATING DYNAMIC SPACES

Park Plaza Victoria London

THE THREE PILLARS OF GROWTH

We have a proven development strategy, targeting real estate in prime locations with upside potential. We are continuously seeking out and evaluating new opportunities as well as re-developing and repositioning our own assets to benefit all. We aim always to delight our guests, empower our team members, support strong local communities and affiliates, and create value for all of our stakeholders.

Holmes Hotel London

PAGE 24

Repositioning projects

Our owner/operator business paired with our development expertise provides a major point of differentiation within the hospitality sector. This model not only gives us full control over the quality of our real estate assets, it also gives us the ability to react quickly and invest in them as necessary, enabling us to fully optimise their potential value. Recent investment in asset repositioning programmes includes: Park Plaza Vondelpark, Amsterdam; Park Plaza Utrecht; Holmes Hotel London and Arena Kažela Campsite.

Park Plaza London Waterloo

PAGE 22

Driving organic growth

We strive for operational excellence across our portfolio to drive organic growth, through both RevPAR improvements and margin accretion. In addition, we are always looking for opportunities to add more room stock and other income generating facilities to our hotels.

Over the last three years, we have added 891 rooms to our already impressive London portfolio. Park Plaza London Waterloo and Park Plaza London Park Royal, both launched in 2017, together added 706 rooms. The major repositioning of Park Plaza London Riverbank was completed in 2018 and expanded the property's inventory by 40%.

art'otel london hoxton

PAGE 32

What the future pipeline holds

Our strategy is to build on our success and further expand our asset portfolio by targeting real estate opportunities that have significant upside potential, fit our long-term growth strategy and create strong shareholder value. We have an exciting development pipeline for our wholly-owned art'otel brand, which includes two new hotels in London and an art'otel near the Hudson Yards area in New York City. We have also acquired a site on London's South Bank and entered into agreements to extend our footprint in the CEE region. Together these projects are expected to add approximately 800 rooms by the end of 2023.

DRIVING ORGANIC GROWTH

Completed 2017

Park Plaza London Waterloo

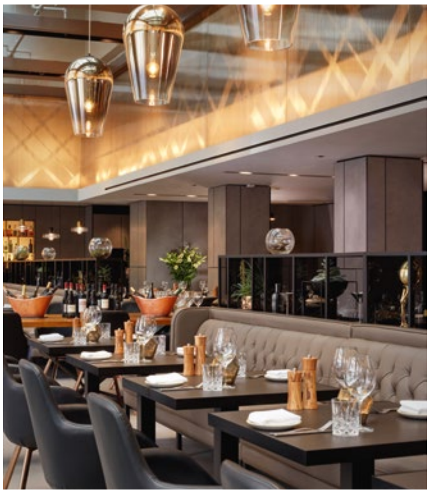
Strengthened presence on London's South Bank

The former office building located on London's South Bank was acquired in 2013 and following a £125 million investment was developed into a high quality hotel offering 494 rooms and suites, a swimming pool and luxury spa facilities, meeting rooms and an executive lounge, a destination all day dining restaurant called Florentine, and a bar offering live music.

In July 2017, following completion of construction of the hotel, the Group sold the property for £161 million and agreed a 199-year leaseback. The leasehold remained with the Group is valued at £84 million, and with the sale and leaseback the Group released part of the value whilst retaining a long-term lease, control of the operations and associated profit of the hotel.

With the above, the total value created from development to the sale and 199-year leaseback was approximately £120 million.

Guest Rating Scores at the property have been consistently high with a 89.9% rating in 2019.



Repositioning completed July 2018

Park Plaza Victoria Amsterdam

Well-invested property in the centre of Amsterdam

Park Plaza Victoria Amsterdam is our iconic property in the heart of Amsterdam, opposite Centraal Station. Its prime location presented a significant opportunity to create value from our real estate asset as well as inspire our guests through a well-invested, high quality product.

Between 2016 and 2018, we invested a total of £20 million in a major repositioning programme.

All public areas were completely reconfigured, 298 rooms were fully redesigned, and nine meeting and event rooms were transformed. A new bar, VIC's BAR, was opened, and offers guests fantastic entertainment in the form of guest DJ sets and live jazz nights.

A new destination restaurant, Carsten's, led by a celebrity concept chef, opened in February 2019.

Since repositioning, guest rating scores at the property have increased to 88% in 2019.

Repositioning completed 2018

Park Plaza London Riverbank

Unrivalled hospitality real estate presence on London's South Bank

Park Plaza London Riverbank first opened its doors on London's South Bank in April 2005. Since then we have established a strong presence in this now vibrant area of London which has been the focus of significant regeneration in recent years. We seized the opportunity to transform the hotel by enhancing the amenities and the overall quality of our offer and guest experience to reflect the fantastic rejuvenation of the surrounding area, including Vauxhall and Nine Elms, which have seen a massive transformation in recent years.

The hotel was fully repositioned. All public areas were reconfigured and redesigned, and seven additional floors of accommodation added 185 rooms to the inventory, transforming the property into a 646-room hotel. A new meeting room and a 12th-floor Executive Lounge were also created, and our award-winning Chino Latino Restaurant & Bar was relocated, giving this destination dining spot unrivalled views across the River Thames. In addition, a spa and swimming pool have been added to the property, giving the hotel an additional offer for leisure guests.

We invested approximately £54 million in this major, multi-year repositioning programme to create value for shareholders through capital appreciation and drive operational returns through a high quality product offer and exceptional guest service.

In 2019, guest rating scores at the property were 88.0%.

Repositioning completed 2018

Arena One 99

Successful new all-glamping offer

Located in the peaceful village of Pomer, Pula in southern Istria, Croatia, Arena One 99 was formerly a limited service campsite in a prime beachfront location stretching more than four hectares along the Adriatic coast.

This is a prime hospitality real estate location. To capitalise on this, we identified an opportunity to launch Croatia's first all-glamping resort. The campsite was closed following the summer of 2017 and completely transformed to offer eight types of all-glamping accommodation and premium amenities to reflect the site's 4-star offer, and was launched in summer 2018. Total investment in the repositioning programme was £8 million.

Arena One 99 has received two accolades from the Croatian Tourist Awards programme for Best Glamping and Best Campsite. Performance of this site has continued to mature in 2019, its second season in operation.

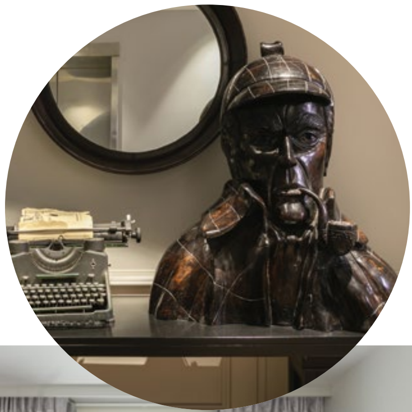
REPOSITIONING COMPLETE

HOLMES HOTEL LONDON

Completed May 2019
Bringing a unique lifestyle brand to Central London

Formerly known as Park Plaza Sherlock Holmes London, Holmes Hotel London is located close to Marylebone, which has long been a fashionable area of London. The area brings together unique independent restaurants and boutique shopping along its High Street, and convenient access to tourist hot spots including Madame Tussauds, the Sherlock Holmes Museum and Oxford Street, renowned for shopping.

We undertook an extensive £9m repositioning programme to maximise the property's hospitality real estate potential and provide guests with a premium boutique offer which reflects the local area's growth and high end development in recent years.



A new restaurant concept was also introduced. Kitchen at Holmes is a seasonally-inspired all day restaurant and neighbourhood bar led by Head Chef Stefano Motta. This is a high quality destination restaurant accessible from Chiltern Street, with a separate entrance to the Holmes Hotel itself, attracting not only hotel guests but all food lovers.

The second phase of the repositioning project included the redesigning of all of Holmes's 118 rooms as well as meeting and events facilities to better reflect the hotel's creative clientele. The meetings and events offering will be completed in 2020 and will boast a new self-contained space in the basement including a kitchen and breakout spaces.

A new, highly experienced management team has been appointed to lead the newly repositioned Holmes Hotel London. The hotel was unveiled in late spring 2019. Holmes Hotel London's reimagined design, layout and upper upscale lifestyle service level have been positively received by customers since reopening, demonstrated by an average Guest Rating Score of 92.1% across independent websites.

HOW WE'VE ADDED VALUE

1ST
PPHE Hotel Group's first premium boutique hotel

A MULTI-MILLION-POUND
repositioning which includes all guestrooms and public areas

118
Sophisticated guestrooms

As part of the repositioning, which created the Group's first premium boutique hotel, the property benefited from a major redesign which included the full refurbishment of all 118 rooms and public areas and the unveiling of a new brand identity with an up-market boutique aesthetic and 5-star quality service.

This phased renovation saw the relocation of the hotel's main entrance from Baker Street to the aspirational Chiltern Street and the associated renovation of the hotel's reception area to create an inviting space for welcoming guests.

REPOSITIONING COMPLETE

Park Plaza Vondelpark, Amsterdam

Launched October 2019

High quality property in desirable neighbourhood

Vondelpark is Amsterdam's own Central Park. Located in the desired uptown neighbourhood of Oud-Zuid which is home of the museum quarter, the park is the largest in Amsterdam.

In recent years, Vondelpark has benefited from significant investment in cafés, restaurants and ongoing upkeep and it attracts a consistently high number of locals and visitors.

We identified that repositioning the property with the aim of offering an enhanced guest experience would both increase the value of our freehold as well as deliver operational uplift.

In July 2018, we closed the 102-room hotel to guests and began the complete transformation to reposition the property as a boutique, lifestyle hotel with a new premium look and feel. The interior fixtures and fittings were removed, the main entrance to the hotel was relocated from a busy road to be served by Vondelpark itself, resulting in just a short stroll to the park as well as local brasseries, galleries and boutique fashion shops.

All the public areas have been reconfigured and upgraded, inspired and elevated by Amsterdam designer Lieze van Zonneveld's theme, which reflects the diverse natural environment of the hotel's surroundings and in particular picks out the birds native to Vondelpark.

Building on its success in London, we have opened our own-brand, Venetian-inspired destination restaurant, TOZI, at the property. TOZI offers a unique and intimate sharing concept inspired by the dining culture and ethos of the Veneto region of Italy which is popular with guests and local community alike.

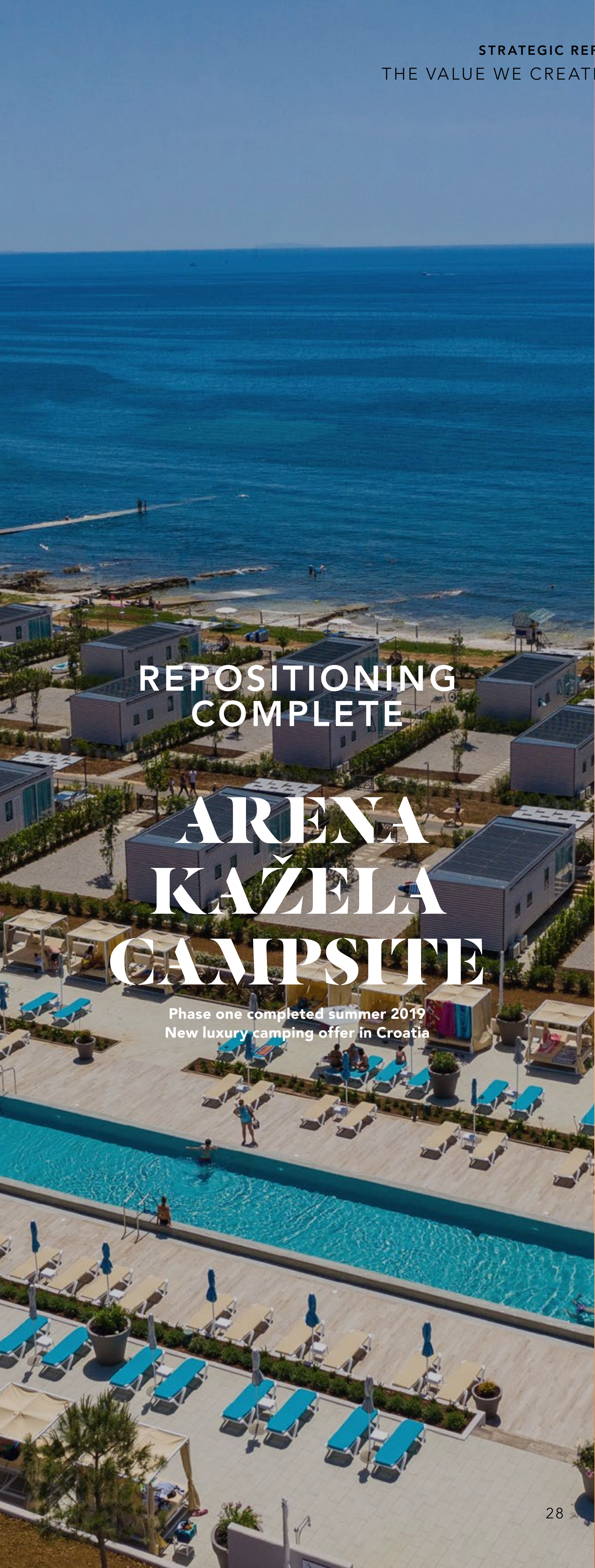
We relaunched the property in October 2019 and guest feedback has been extremely positive. The Guest Rating Score for the final quarter of the year was 90.1%.

HOW WE'VE ADDED VALUE

TOZI
Home to a London award-winning dining and drinking concept restaurant

A secret garden for guests to relax in after a bustling day in the city of Amsterdam

Amsterdam is regularly voted one of **Europe's most visited cities**



REPOSITIONING COMPLETE

ARENA KAŽELA CAMPSITE

Phase one completed summer 2019
New luxury camping offer in Croatia

Located in one of Croatia's most popular destinations, Istria, Arena Kažela Campsite is situated on the southern part of Medulin (a top five tourist destination in Croatia by number of overnights) overlooking the Kvarner Bay and is just a few kilometres away from the city of Pula.

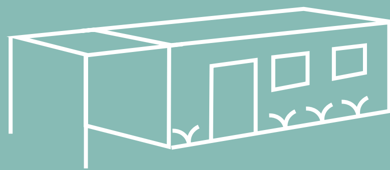
It is the largest of our eight campsites and offers holidaymakers the ultimate in peace and tranquillity on the edge of the Adriatic Sea, with direct access to a two-kilometre-long beach overlooking the Medulin archipelago and crystal-clear Adriatic Sea. Its stunning location made it the obvious choice to launch a brand-new style of luxury camping homes.

The campsite season in Croatia runs between April and November. Following the end of the 2018 season, we immediately began the first of a two-phase, two-year investment programme to transform the site and inspire our guests with a new luxury camping offer.

We installed 164 new, fully equipped premium and family camping homes, which are situated alongside more than 1,000 spacious pitches. The new mobile homes have been designed to meet the needs of the modern environment-conscious traveller. Featuring ecological and recycled materials, the accommodation offers 37m^2 of interior space, more than 250m^2 of covered terrace, as well as 250m^2 of private garden.

In addition to the new luxury camping homes, our aim is to offer our guests an overall luxurious holiday experience with exceptional facilities. To that end, phase one of the programme included two new swimming pools – a central activity pool with a children's section and a relaxing infinity pool – new modern pool bars, an Illy coffee shop and a re-developed reception area.

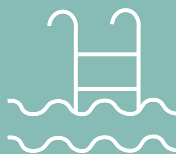
HOW WE'VE ADDED VALUE



'Next' camping homes boast smart design and enviable positions on the edge of the resort near the sea

Feel at home in the resort's 'Green' camping homes, which are made from ecological and recycled materials

A new 80-metre relaxation pool is a stone's throw from the clear waters of the Adriatic Sea



The campsite was unveiled to guests in July 2019 and was well received. On Booking.com the repositioned site has a rating of 9.0 based on more than 500 reviews.

In total, the plan is to invest £25 million to fully reposition this site. Phase one was completed in June 2019 at a cost of £19 million and to date has delivered a strong increase in revenues and profitability underpinned by an increased average daily rate of over 40% and a revenue uplift of more than 30%.

Phase two of the project will complete in summer 2020.

REPOSITIONING COMPLETE

PARK PLAZA UTRECHT

Completed October 2019
Property transformed to meet the expectations of today's business and leisure travellers

This property is in a prime location adjacent to Utrecht Central Station and Jaarbeurs exhibition centre, in the heart of the business district of Utrecht; the Netherlands's fourth largest city.

The city attracts a high percentage of corporate guests as well as leisure travellers exploring the city's many attractions, including its medieval old town, canals, monuments and university.

The city itself is undergoing a vast re-development programme to upgrade its infrastructure and offering.

In 2018 we unveiled our investment plans to reposition this hotel to offer enhanced, modernised services to inspire our guests and to meet the demands of today's traveller. The interior design of the property focused on Utrecht's rich history and takes inspiration from the Manifesto of De Stijl, a Dutch artistic movement founded by Piet Mondrian and Theo van Doesburg.

This extensive repositioning transformed both the interior and facilities at the property. We redesigned the majority of rooms and installed new bathrooms, upgraded all public areas and introduced a new restaurant area. In addition, we extended the property to house a new fitness centre.

We also created state of the art meeting and conferencing facilities. The hotel is now home to a private event space which can host up to 75 delegates on the ground floor, adjacent to the newly designed restaurant and bar area, making it an ideal location for hosting product launches, workshops, celebrations and dinners. Located on the top floor there are ten meeting rooms, each offering an enhanced technology experience, with a new foyer which has been designed to maximise natural daylight and has stunning views across Utrecht.

Our total investment to reposition the property was £6 million. Following relaunch, the Guest Rating Score for the final quarter of the year was 86.5%.

HOW WE'VE ADDED VALUE

120
Fully air-conditioned guestrooms

A new fully renovated 24/7 upscale **Fitness area**

Ideally located near Utrecht Central Station in the heart of the business centre

PIPELINE FOR THE FUTURE

art'otel london hoxton

Expected to open in 2023
Bringing a high quality development to the local community

art'otel london hoxton is one of two exciting art'otels coming to London. The wholly owned development site is situated in Hoxton, a vibrant and increasingly popular area within East London, which has seen significant investment in regeneration in recent years. The mixed-use scheme will bring the contemporary and lifestyle art'otel brand offering world-class amenities, together with cultural, business and sports facilities which will benefit the local community and area.

We are making good progress with the project, which will see us invest approximately £200 million over the coming years. The demolition of the existing structure is complete and piling work is underway. Two pieces of Banksy artwork which were on site have been preserved.

Since we have acquired complete control of the site we have gained improved planning consent for 27 floors comprising 343 hotel rooms including (60 long-stay apartments) and five floors of office space. The space will also comprise an 80-seat ground floor restaurant, an Ichi sushi bar, gym facilities and fantastic meetings and events space which will be spread across two floors and offer breathtaking views of East London.

Located on the 25th floor will be a bar and restaurant with access to seven terraces. The amenities will also include a gym for guests and members.

In keeping with the art'otel brand, the hotel will feature a fully accessible art gallery which will bring contemporary as well as traditional art to the local community, and a VIP cinema space for conferences, corporate events and private hire. We are currently in discussions with a number of artists regarding partnerships for the hotel.

We look forward to progressing with this project further throughout 2020.

art'otel london battersea power station

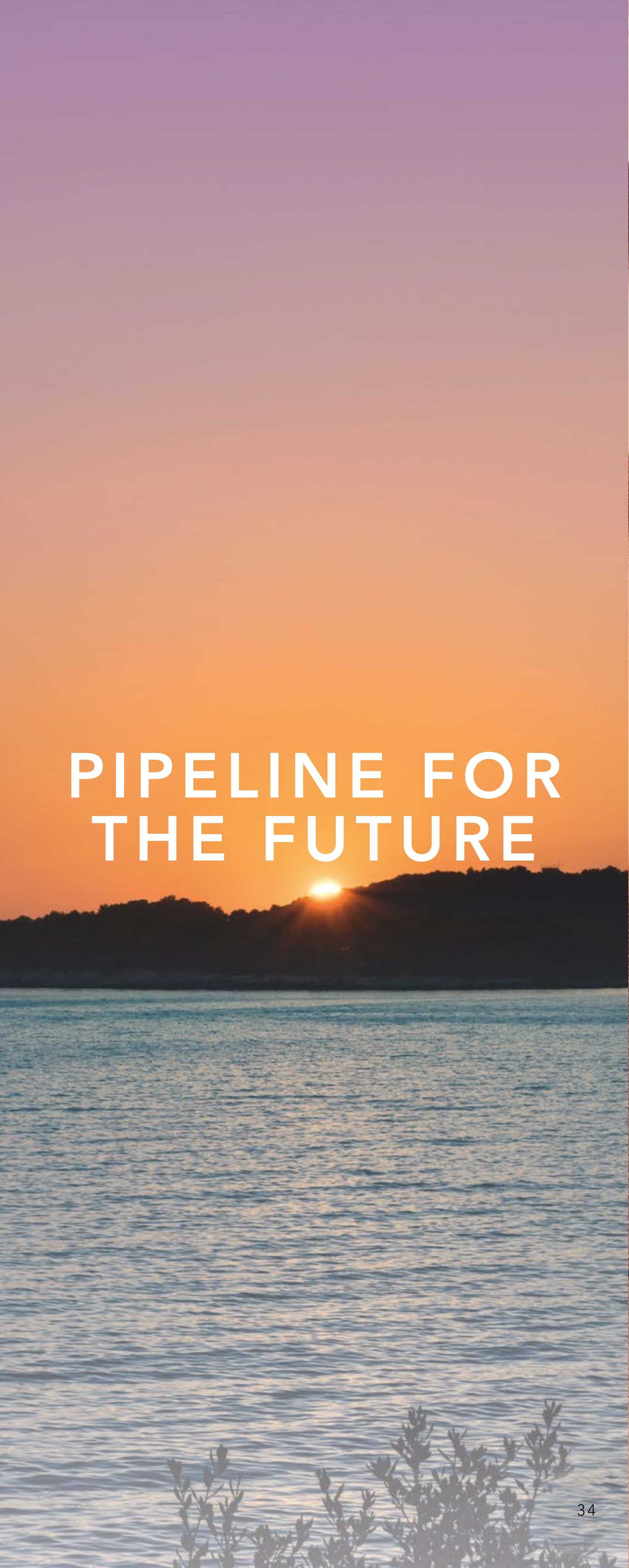
Expected to open 2022

art'otel london battersea power station is one of two exciting art'otels coming to London over the next few years. Positioned in the heart of one of London's best-known regeneration schemes, it will be a vibrant area with restaurants, bars and good transport links. Our wholly-owned lifestyle art'otel brand fuses art and life and will offer guests a sensational hotel experience spanning art galleries, a skyline restaurant and a stunning rooftop swimming pool with Power Station views. The 160 plus room hotel is being developed by the Battersea Power Station Development Company. The hotel is expected to open during 2022 and will be managed by the Group.

art'otel in New York City

Expected to open 2023

We have acquired a site in New York City, which offers us a truly exciting real estate investment opportunity in a new market – our first art'otel outside of Europe. The site is in West Chelsea, close to the Hudson Yards area which has undergone large-scale re-development in recent years to create a buzzing new neighbourhood known as the pre-eminent art gallery district in New York City, renowned for restaurants and bars. This is an ideal location for our first art'otel branded hotel outside of Europe.



PIPELINE FOR THE FUTURE

Hotel Brioni, Pula

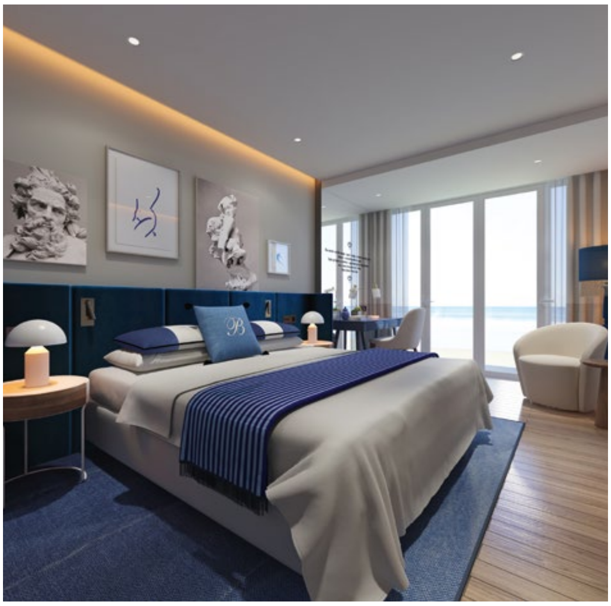
Expected to open 2021
Major property repositioning

This property is located 50 metres from the sea on the western coast of the Punta Verudela peninsula in Croatia, only 4 kilometres from the centre of Pula. The property is undergoing a major renovation programme to reposition in a luxury hotel with 227 rooms. The total cost of the investment is expected to be £27 million.

Verudela Beach Resort, Pula

Expected to complete 2020
Repositioning of self-catering apartment offer

During 2020 we will continue the investment in our self-catering apartment resort in Croatia, Verudela Beach Resort & Apartments. Following the initial repositioning of ten accommodation units prior to the 2019 summer season, further activity will reposition the remaining 146 units in the resort. Construction work began in October 2019 and we plan to have completed the project in time for the 2020 summer season. The total investment in repositioning is £8 million.



The facilities will include an indoor pool, an activity outdoor pool and an infinity outdoor pool, wellness centre, a gym, kids' playground, restaurant and bar, and meeting and conferencing facilities. The total planned investment is approximately £27 million. Construction work commenced in early 2020 and the hotel is expected to open in summer 2021.

Arena Kažela Campsite – phase two

Expected to complete 2020
luxury camping repositioning

We are continuing to invest in Arena Kažela Campsite in Croatia. The second phase of our investment to reposition this site commenced in October 2019. The further £6 million investment will replace a further 60 holiday homes, will reposition pitches to offer guests prime seaside positions with an average plot size of 150m^2, and will provide new facilities designed to offer a luxurious holiday experience to its guests. This includes the refurbishment of all public areas, a restaurant, bar and sports centre. On completion, Arena Kažela Campsite will be transformed into a modern 4-star camping resort and the site will be relaunched as Arena Grand Kažela for the 2020 summer season.

Expansion in Central and Eastern Europe region

Through our Croatian subsidiary Arena, the Group's footprint in the CEE region has been extended.

In April 2019, Arena agreed to acquire an 88-room contemporary 4-star Belgrade hotel for approximately €6 million. The hotel is located minutes away from the Serbian capital's historic old town and marked the Group's entry into a new territory.

In January 2020, Arena entered into a 45-year lease for the development and operation of a branded hotel in Zagreb, Croatia. The development, which is subject to obtaining the necessary permits, would convert an iconic building in a prime location in the heart of the city into a 115-room hotel.

STRATEGIC PROGRESS IN 2019

PROPERTY

Strategy

Deliver all ongoing projects and existing pipeline

Performance in the year

We entered into a joint venture for a new art'otel in New York City in 2019.In 2020 PPHE acquired the joint venture interest enabling the Company to retain full control of the project and construction timetable.

We continued to work with all stakeholders on development of the two new build art'otels in desirable locations within London (one of which will be managed by the Group on completion and one which is owned and developed by the Group), which are expected to open in 2022/23. In addition, our future pipeline was extended, with a site acquisition on Westminster Bridge Road in London. Our subsidiary, Arena, has contracted to acquire a hotel in Belgrade Serbia and, post period end, extended its pipeline with a project in Zagreb, Croatia.

Risks linked to strategy

- Breach of debt covenants and cash restrictions (pg 42)
- Delays or unforeseen costs in development projects (pg 42)
- Downturn in economic cycle (pg 43)

Emerging (pg 41):
- Changing sustainability regulations and expectations for property development

Looking forward

We will focus on delivering several repositioning projects, including Verudula Beach Pula, Hotel Brioni Pula and phase two of Arena Kažela Campsite. In addition, we will progress the development of the various projects in our pipeline.

Strategy

Deploy capital in new properties meeting our yield profile

Performance in the year

Our focus during the year was on repositioning and developing the Group's existing portfolio and committed pipeline.

Our pipeline of new hotels includes two iconic developments in London, scheduled to open in 2022/23. These are art'otel london hoxton (wholly-owned) and art'otel london battersea power station (management agreement). In addition, we acquired the freehold interest in a site located in London SE1 with a view to developing the site into a hotel, subject to planning permission being obtained.

Further to an announcement on 14 March 2019, we have acquired from our joint venture partner their 50% interest in W29 Development LLC, which owns the properties located at 538, 540 and 542 West 29th Street, New York We plan to develop these properties into our first art'otel in New York.

In Serbia, Arena Hospitality acquired a hotel in Belgrade in line with its strategy to expand its CEE presence.

In addition, Arena Hospitality also acquired a long lease interest in a property located in Zagreb, Croatia with a view to developing the site into a hotel, subject to planning permission being obtained.

Risks linked to strategy

- Breach of debt covenants and cash restrictions (pg 42)
- Delays or unforeseen costs in development projects (pg 42)
- Acquisitions and new developments not meeting targeted returns (pg 43)
- Downturn in economic cycle (pg 43)

Emerging (pg 41):
- Changing sustainability regulations and expectations for property development

Looking forward

Our future pipeline includes key projects namely; Zagreb, Croatia, Belgrade, Serbia, Hoxton and Battersea Power Station, London and New York City, USA.

Strategy

Mature recent openings and repositioned and renovated properties to generate a targeted cash return on EPRA NAV

Performance in the year

Trading improved for the Group for the year ended 31 December 2019, supported by the improved performance of repositioned properties which were relaunched in 2018 such as Park Plaza London Riverbank, Park Plaza Victoria London Amsterdam and Arena One 99 Glamping, as well as early benefits derived from the repositioning projects completed in 2019 (which included Holmes Hotel London, Arena Kažela Campsite, Park Plaza Vondelpark Amsterdam and Park Plaza Utrecht.

Risks linked to strategy

- Breach of debt covenants and cash restrictions (pg 42)
- Downturn in economic cycle (pg 43)
- Changes in market dynamics (pg 43)

Looking forward

We will drive the organic growth of key repositioning projects including Park Plaza Vondelpark, Amsterdam and Holmes Hotel London which launched in 2019.

Performance management

- EPRA EPS
- Net return on shareholder capital
- Net return on EPRA NAV

Strategy

Drive responsible business strategy

Performance in the year

From the outset of all new development projects, including our project in Hoxton, sustainability is a central pillar of the hotel design, aiming for BREEAM assessment 'excellent' in design and operation.

Our new buildings are built with the latest water and energy efficient fittings and a robust design that ensures our assets are built to last. Where possible, we source responsible and low environmental impact materials, upcycling or donating to charity or local community groups, and reducing our waste.

At our recent Park Plaza Vondelpark, Amsterdam repositioning project which was completed in 2019, we aimed to bring the outside in to promote guest and team wellbeing, which included 300m2 of plants, trees and flowers inside the hotel.

Risks linked to strategy

- Changes in market dynamics (pg 43)
- Reduction in availability of labour (pg 46)

Emerging (pg 41):
- Climate change related threats and increased scrutiny on the environmental impact of the travel and hospitality sector

Looking forward

In 2020 we intend to further progress our Responsible Business programme and ensure that targets and measurements are finalised, launched and consistently measured across the portfolio.

OPERATIONS

Strategy

Develop a high performing culture where engaged teams are empowered to create valuable memories for our guests and value for our assets

Performance in the year

In January 2019, we launched our internal blueprint which aligned our culture and business strategy. The blueprint sets out 'the way we do things', which enables our leadership team to develop a high performing culture through optimal team member behaviour and an empowering working environment, supported by strong leadership.

Following the January launch for Senior Managers, a series of in-country training workshops were conducted throughout 2019 across three out of our four operating regions, to ensure all our team members live and breathe our renewed blueprint.

Performance management

- Employee engagement
- 2019 saw participants to 3,409, compared to 3,321 in 2018 (PPHE Hotel Group and Arena Hospitality Group combined)
- Engagement score of 84.4% (2018: 83.6%)
- 2,000+ number of team members participated in blueprint launch training

Risks linked to strategy

- Changes in market dynamics (pg 43)
- Reduction in availability of labour (pg 46)

Emerging (pg 41):
- Political change reducing the available labour pool

Looking forward

In 2020, we will continue to deliver in-country workshops to maintain this momentum.

Employee engagement remains high on our strategic agenda and we will endeavour to further build on our strong score, by listening to team member feedback.

Our teams will also be equipped with additional tools and insights to maintain our high performing culture, including the 2020 launch of a digital learning management system.

Strategy

Improve the overall guest experience through creating valuable memories

Performance in the year

We continued our ongoing investment programme for team members and properties, along with a greater focus on reviewing guest feedback and aligning our operating standards to maximise efficiencies to further enhance guest satisfaction. Following repositioning, our properties delivered improved guest satisfaction and RevPAR growth.

During the year we created a dedicated customer service team which monitors and responds to guest feedback posted online on travel web sites and review platforms, ensuring guest feedback is managed and queries are responded to. This team also provides detailed data driven insights to our operating teams enabling them to further improve our service and product offering.

Additional initiatives undertaken to further enhance the guest experience were the implementation of new TV in-room entertainment systems with Chromecast, enabling guests to play their own content, as well as upgrades of our Wifi infrastructure and further cyber protection initiatives. In collaboration with Radisson Hotel Group a brand new website platform was launched in July 2019 as well as a multi-brand booking and rewards app.

Performance management

- Overall, our Guest Rating Score increased from 87.3% to 88% in 2019
- Number of reviews posted online exceeded 100,000

Risks linked to strategy

- Changes in market dynamics (pg 43)
- Cyber attack (pg 44)
- Data privacy breach (pg 44)
- Technology failures (pg 44)
- Food safety incidents (pg 45)
- Physical security and safety incidents (pg 45)
- Operational disruption (pg 45)

Looking forward

We intend to further invest in guest facing technologies and collaborate with Radisson Hotel Group on additional digital marketing enhancements. Our operations and brand teams will regularly revisit our offering and make improvements as and where appropriate, based on changing customer preferences and trends, guest feedback and insights provided by the dedicated customer service team.

Strategy

Focus on total revenue generation with solid profit conversion

Performance in the year

Following investments made in our portfolio and team members throughout 2018 and 2019, we now have a solid base upon which to grow further.

In 2019, we optimised our commercial organisation to align it further with our market segmentation, customer preferences, booking methods and internal requirements. As a result several new commercial leadership roles and teams were created. Our key commercial areas of focus include Sales, Revenue Management, Digital Marketing and Analytics, Guest Experience and Customer Service to name but a few. To further improve our efficiency and leverage our scale we have also thoroughly reviewed our supply chain and have further consolidated the procurement of goods and services.

Across several disciplines in our business we have introduced robotics in the year, improving overall efficiency.

Performance management

- EBITDA and EBITDA margin
- RevPAR
- Total revenue

Risks linked to strategy

- Downturn in economic cycle (pg 43)
- Changes in market dynamics (pg 43)
- Reduction in availability of labour (pg 46)

Emerging (pg 41):
- Potential increase in cost of imported goods

Looking forward

We will continue to focus on driving top line growth through our commercial strategies and initiatives and in collaboration with key partners, such as travel buyers, clients, meeting planners and also our strategic partner Radisson Hotel Group.
We aim to implement several new technologies in the year to become more data driven and operate more efficiently. This includes the introduction of new automation and business intelligence software for our revenue management teams and a learning management system across the Group. We will aim to further improve efficiency by continuing our consolidation activities in procurement and the progression of our robotics programme.

OUR APPROACH TO RISK MANAGEMENT

We create value and profits through our entrepreneurial approach and an attitude to risk and reward which allows us to exploit opportunities and deliver growth. Our Enterprise Risk Management (ERM) framework supports the pursuit of our objectives through enabling informed and calculated risk-taking, while protecting our financial strength and reputation.

During 2019 we reviewed and enhanced our approach to ERM, culminating in a revised Framework and Policy. We strive to maintain an embedded and forward-looking ERM programme for identifying and managing the risks that could affect the achievement of our objectives. We will focus on improving and further embedding the programme across the Group throughout 2020, including regular review of our risk-reward approach to ensure that it remains aligned with our strategic agenda.

OUR RISK FRAMEWORK

Strategic objectives

Risk-reward strategy
Our Risk-reward strategy sets the tone for our approach to risk and articulates the general appetite to risk-taking and tolerance.

Risk governance
Roles, responsibilities and reporting structure, defined in a Risk Policy.

Risk management process
Current and emerging risk identification, assessment, treatment, reporting and monitoring.

Risk assurance
Assurance from various sources including: Compliance / Internal Audit / External Audit / Other Third Party Assurance Providers

Risk informed decisions

RISK MANAGEMENT PROCESS

During 2019 we undertook a thorough review of the risks threatening the achievement of our objectives. The consolidated Principal Risks were assessed by the senior leadership team and the Audit Committee, before being agreed by the Board. See pages 42 to 46.

Our approach to ERM is consistent across all areas of the business:

Risk Identification – Group-wide awareness of risk, both existing and emerging, is critical to the achievement of our business objectives.

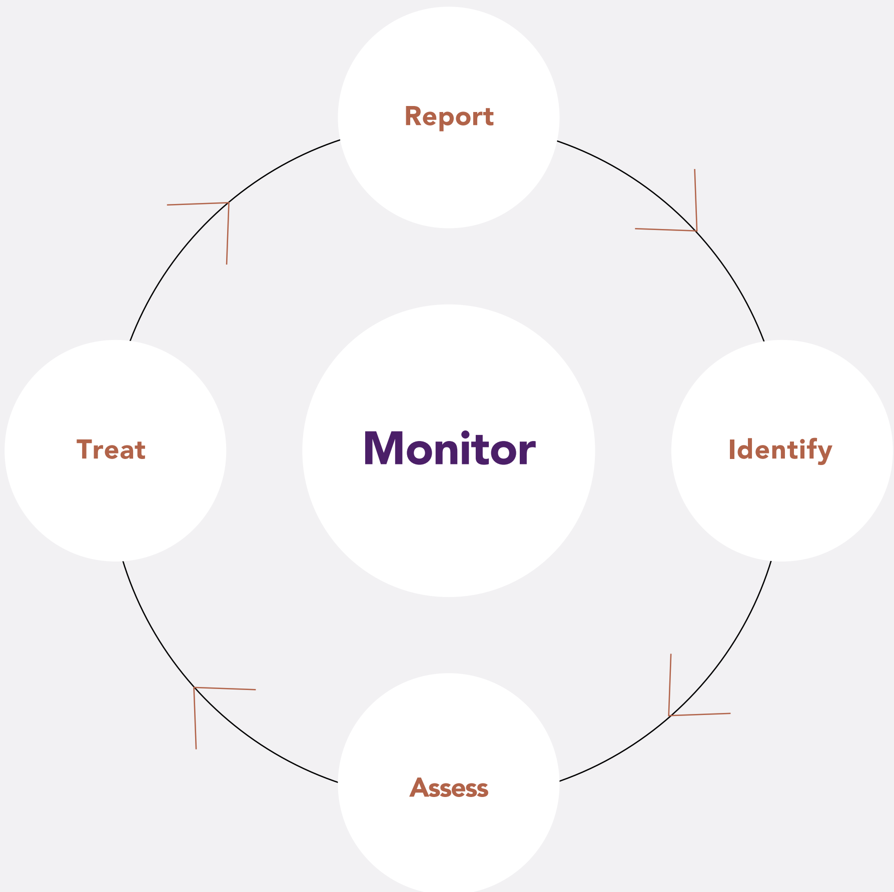
Risk Assessment – In order to prioritise our key risks and determine those that require management attention, the likelihood and severity of each risk is assessed using the Group risk assessment criteria.

Risk Treatment – Having assessed the risk, we determine whether the current status can be tolerated or whether further mitigation is required. This part of the process is critical to ensuring ongoing business improvement and proactive management of risk.

Risk Reporting – Regular risk reporting supports informed decision-making and prioritisation of resources. It enables the Board and others to fulfil their risk oversight responsibilities.

Risk Monitoring – Ongoing monitoring for any changes to the risk environment and monitoring progress of agreed risk actions. We recognise the importance of horizon scanning for identifying the potentially significant threats we face in the years to come. We include consideration of emerging risk throughout each stage of our ERM cycle and consider the following drivers of change:

- Market Dynamics
- Technology
- Social, Political, Economic and Environmental
- Legal and Regulatory



OUR APPROACH TO RISK MANAGEMENT CONTINUED

OUR RISK ENVIRONMENT

As both a real estate business and hospitality operator, we are exposed to a wide array of risks. Our risk environment and approach to risk and reward are explained in the context of our business model.

1. We purchase

As a real estate business, we are exposed to economic and property market risk. We seek investments which we believe have significant upside potential, delivering long-term value where the projected returns outweigh the associated risk. We ensure that the decisions we take are risk-informed and aligned with our strategic agenda of disciplined, focused capital deployment.

When seeking new development opportunities, we are willing to form new strategic partnerships or joint ventures, where we assess the benefits of the arrangement to be greater than the related risk.

2. We develop

As a property developer, we understand and manage the inherent risks associated with the delivery of major construction, repositioning and refurbishment projects (see Principal Risks pages 42 to 46). We are also exposed to risks related to increasing sustainability regulations and expectations within the real estate and construction sectors. The successful delivery of new developments is fundamental to ensuring that we optimise the value of our portfolio and deliver long-term sustainability.

3. We brand properties and improve operating performance

As a hospitality operator, we identify and manage a variety of inherent risks which threaten our ability to deliver the intended guest experience and maintain high operating margins.

We have zero tolerance for taking any actions which increase our risk profile in respect of guest or team member safety, operational disruption, reputational damage or non-compliance with laws and regulations.

We are exposed to various external risks common within the hospitality sector and beyond our control, such as changes in market conditions, global economic uncertainty, political instability and climate change. With our operations dependent on more than 4,700 team members, we are also vulnerable to shifts in the labour market.

The prominence and prime location of our operations also means we can be exposed to externally-driven direct threats such as fraud, cyber crime or physical security incidents.

We work with third parties for core business activities where we perceive the benefits of such arrangements to outweigh the related risks, providing that appropriate diligence and safeguards are in place. The nature of our business model means that we carry an element of counter-party credit risk requiring close management oversight. We remain aware of the importance of monitoring third party dependence and any related financial exposure.

4. We (re)finance to fund further investments

Our strategy of extracting value from the portfolio to fund further growth means we actively take measured funding related risks, in line with our risk-reward approach and treasury policy. We use debt to partly finance our property investments. By leveraging our investments, we enhance our returns but also accept the risk of magnifying any associated losses.

Some of our financing arrangements contain cross-collateralisation and we therefore accept the risk that more than one property may be affected by a default under these financing arrangements.

Funding is a key area of risk and the associated activity is closely monitored and reported on frequently within the business.

For more information on funding, please see page 58

EMERGING RISK

We define emerging risk as future threats that cannot be accurately assessed at the current time but could have a material impact on the business in the future. These are considered alongside existing risks at each stage of our risk management process with a view to improving our response plans and exploit potential opportunities.

Most of these changes could heighten existing principal risks while some could present new risks or opportunities for the Group.

During the year we have modelled the impact an economic downturn could have on Group performance. The understanding gained from this exercise allows us to develop suitable response plans.

For more information, please see page 43

Similarly, a Brexit steering group with representatives from around the business continued to monitor the potential strategic and operational consequences that the UK leaving the EU could have on the business, particularly the impact on our supply chain and labour availability in the UK. An increasingly challenging labour market caused by a changing political landscape and changing demographics is an emerging trend which we already acknowledge and manage as a principal risk.

For more information, please see page 46

Climate Change and issues of sustainability could heighten several of our existing principal risks by impacting the continuity of our operations, increasing the cost of resources and increasing public scrutiny of the impact that travel and tourism has on the environment. See pages 80 to 89 for our approach to doing business responsibly and our impact on our communities and the environment.

External events which threaten to disrupt global travel and significantly reduce occupancy can emerge in various forms. We are closely monitoring the impact of the Coronavirus outbreak in China, on travel and occupancy levels in Europe.

The possibility of an outbreak of Coronavirus in the locations we operate, and any associated quarantine measures, heighten our principal risk of operational disruption. See page 45.

TRENDS AND FUTURE THREATS

Market Dynamics:	**Social / Political / Economic / Environmental:**	**Regulatory / Legal:**	**Technology:**
• Increasing prominence of private rental market	• Downturn in economic cycle leading to pressure on our margins and property price volatility	• UK law divergence from EU law increasing the cost of compliance	• Increasing speed of technology change impacting the hospitality sector
• Mainstream use of digital currency potentially increasing exposure to price volatility and requiring new processes and technologies	• Brexit-related threats including increasing cost of imported goods and reduction of the available labour pool within the UK	• Sustainability regulations and expectations impacting the approach to future hotel property developments and operations	
	• Changing demographics e.g. ageing population leading to changing guest expectations and an increasingly challenging labour market	• EU legislation banning single-use plastics, impacting our costs and operations	
	• Rising urbanisation placing increased demands on resources in the areas we operate		
	• Climate change related incidents with a direct impact on our guests and operations (e.g. water shortages / floods) plus increased scrutiny on the environmental impact of the travel and hospitality sector and associated transition risks such as changes in government policy		
	• Significant events restricting travel to our key locations		

PRINCIPAL RISKS AND UNCERTAINTIES

This year we have articulated some of our principal risks differently from the 2018 Annual Report. The table shows movement in the risk level against related prior year risks and also highlights any which are newly added.

We have removed foreign exchange rate fluctuations as a principal risk as we regard this to be a low risk area due to our approach of matching our commitments, cash flow and debt in the same currency. We continue to monitor the risk and would forward hedge any sizeable cash flows should any future transactions occur which are not in a functional currency of the Group.

The prior year risk relating to capital requirements to maintain product standards has been removed this year as it is considered to be a well mitigated, low risk area.

Similarly, the extent of our fixed operating expenses and vulnerability to short-term changes in revenue no longer features as a separate area of principal risk, but remains closely linked to the principal risks of a downturn in the economic cycle and changing market dynamics.

We also removed the key partnership risk relating to our licence agreement with Radisson Hotel Group (RHG) to operate or sub-license the Park Plaza brand within the EMEA region. We consider the benefits of the partnership to far outweigh any related risks. We continue to monitor the risk but consider it to be low and aligned with our current risk appetite.

Risk Priority: Our risk priority is decided through an assessment of the likelihood of the risk and its impact should it materialise. Our assessments are weighted towards impact to encourage prioritisation of high impact risks.

The table below represents our risk priorities for the year ahead. We believe these to be the most significant threats to the achievement of our objectives but are not an exhaustive list of all risks identified and monitored through our risk management process.

INVESTMENT

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2020
Funding The Group could experience a breach of debt covenants leading to cash restrictions, loss of stakeholder confidence, less favourable terms when refinancing in the future and a potential going concern threat. **Strategic objectives under threat:** 3 Extract value from portfolio to fund further growth 2 Optimise the value of the existing portfolio 4 Long-term sustainability	Medium ↓	Our strategic approach of using debt to partly finance our property investments and enhance returns demonstrates an appetite to accept a measured level of funding related risk. This is aligned with our risk-reward approach with assets typically ring fenced into single or group facilities and maximum loan to value ratios of between 50% and 65% depending on location. See page 58 for details We have reduced our assessment of this risk as we closely monitor and forward test to ensure compliance with debt covenants and other covenants in the loan facilities. We nurture the long term relationships we have with our funding banks and ensure we have cash reserves to enable us to respond quickly to any potential breaches if these were to occur. We perform forward covenant testing on a monthly basis. The forward testing applies sensitivity and stress modelling. On a semi annual basis the working capital model is updated. The model was developed in order to assess the Company's viability over a period of three years using stress tests which include, amongst others, reduction of average room rate, occupancy and EBITDA margins and the effect that those would have on the loan covenants and our cash flow. The model is reviewed by the Board on an annual basis. **Outlook for 2020** We continually monitor this risk closely to optimise returns while remaining at comfortable leverage levels.
Development Projects Through the delivery of our development pipeline, we could experience delays, unforeseen increase in costs, disputes with contractors or inconsistent quality. Any of these could reduce cash flow, profitability and stakeholder confidence. **Strategic objectives under threat:** 1 Disciplined, focused capital deployment 2 Optimise the value of the existing portfolio 4 Long-term sustainability	High ↑	The successful delivery of our development pipeline is fundamental to the achievement of our strategic objectives. With several significant projects in our development pipeline the profile of this risk has increased for the year ahead. Our key projects are subject to ongoing senior leadership team oversight and close monitoring and support from our in-house Technical Services team. Regular meetings with our key contractors are held to identify and tackle approaching issues which could impact the overall cost, targeted delivery schedule or the expected quality standards. **Outlook for 2020** Our diligent approach to development project delivery continues in 2020. With several significant projects underway or planned, we continue to review our approach and resource requirements in respect of centralised project management.

Strategic Agenda references

1 Disciplined, focused capital deployment
2 Optimise the value of the existing portfolio
3 Extract value from portfolio to fund further growth
4 Long-term sustainability
5 Consistently deliver the refreshed intended guest experience across our properties
6 Maintain high operating margins

↔ Unchanged
↑ Increased
↓ Reduced

INVESTMENT

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2020
Acquisitions and New Developments Market changes or inaccurate assessments of development opportunities could lead to poor investment decisions and impact our ability to drive growth and long-term value. **Strategic objectives under threat:** 1 Disciplined, focused capital deployment 3 Extract value from portfolio to fund further growth	Medium *Newly Reported*	Through the application of our due diligence procedures we take informed, calculated risk in pursuing new opportunities, which is aligned with our strategic agenda of disciplined, focused capital deployment to achieve growth and long-term value. **Outlook for 2020** This risk is currently within our levels of tolerance and continues to be managed to remain closely aligned with our approach to risk and reward.

MARKET AND MACRO ENVIRONMENT

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2020
Economic Climate A downturn in the economic cycle could lead to margin erosion due to falling revenues and/or increasing costs. Uncertainty regarding macro-economic and socio-political conditions including the future impact of Brexit, could affect our ability to maintain or increase revenue and profitability. **Strategic objectives under threat:** 6 Maintain high operating margins 4 Long-term sustainability	High ↔	As referred to in the emerging risk section of this report, we have performed scenario planning for different economic cycles and developed response plans to best protect our margins in a downturn. We have also assessed and planned for the potential impact of the UK exit arrangements from the EU. **Outlook for 2020** Continued political and economic uncertainty means we must be prepared for the possibility of a downturn in the economic cycle to emerge in 2020. While the risk is largely outside of our control, we continue to monitor the economic climate closely to ensure that we continue to be well placed to respond to changing conditions.
Market Dynamics The travel industry could continue to change considerably with increased competition driven by the influence of major booking platforms, consolidation in the hotel market, increase in home market rentals and other disruptors. Additionally a failure to adapt to changing guest expectations in respect of technology, sustainability and service could threaten our ability to retain and grow market share. **Strategic objectives under threat:** 4 Long-term sustainability 5 Consistently deliver the refreshed intended guest experience across our properties 6 Maintain high operating margins	Medium ↔	The ever-changing nature of the hospitality industry means we closely monitor trends and developments within the sector, giving us the ability to react quickly. We also continue to use guest survey and guest review monitoring software to focus on recognising guest feedback, engaging with guests and enhancing our guest experience. To further improve our performance, we introduced a dedicated customer service team to manage these activities. Our exclusive and perpetual licence with RHG provides us the benefits of scale, negotiating power and market knowledge. During 2019 we worked in collaboration with RHG on the development of its main new website, app and reservation system. Our Responsible Business strategy considers how we monitor and respond to guest expectations regarding matters of sustainability. (see pages 80 to 89) **Outlook for 2020** As an externally driven area of risk, changing market dynamics will always be a threat to our existing business model. To continue to meet guest expectations and control this risk as best as possible we have several activities ongoing in 2020 which includes the continued progress against our three-year technology road map and the delivery of our Responsible Business strategy.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

TECHNOLOGY AND INFORMATION SECURITY

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2020
Cyber Security The Group could be subject to a serious cyber attack resulting in significant disruption to operations and financial loss from falling revenues, cost of recovery and significant fines in the event of a related data breach. **Strategic objectives under threat:** ④ Long-term sustainability ⑤ Consistently deliver the refreshed intended guest experience across our properties	High ↔	As one of the most significant risks to the business, there has been focus throughout 2019 on strengthening our defence against cyber attacks, including improved technical controls and enhanced awareness of the threats within our teams. We introduced improved email protection to combat the threat of phishing scams and added new endpoint protection and detection controls. We also commissioned external consultants to perform several penetration tests to highlight security weaknesses and help prioritise mitigating actions. **Outlook for 2020** Although we accept that this risk is likely to remain high, we continually work to further protect our business from the likelihood of a severe threat materialising. A number of projects are underway which will see controls strengthened in respect of network access control and security incident & event management. We will continue to further enhance our team members' awareness of information security with the roll-out of online training. The threat of cyber attack could also arise through the targeting of our third party partners and suppliers. Further assessment of this particular threat and review of third party security measures will continue to be an area of focus in the year ahead.
Data Privacy The Group could experience a serious data privacy breach which could result in investigation by the regulator, significant fines in accordance with the GDPR and subsequent reputational damage. **Strategic objectives under threat:** ④ Long-term sustainability ⑤ Consistently deliver the refreshed intended guest experience across our properties	High ↔	We are committed to protecting the personal data of our employees and guests. As with 2018, we continued to invest in team member awareness and tailor our processes and services to best mitigate the inherent personal data processing risks. The 2019 investment in strengthening our defence against cyber attack and the provision of a secure environment for all of the personal data that we process has enhanced our control environment. Alongside our Information Security and Data Privacy policies, there are established breach protocols, reporting hotlines for team members and incident response plans. We also engage with third party experts for technical support when necessary. **Outlook for 2020** The nature of our operations means the risk of a serious data privacy breach is likely to remain a significant threat and a high priority. To further embed our approach to GDPR compliance during the year, we are continuing to review and strengthen our procedures and internal awareness to counter this threat.
Technology Resilience A prolonged failure in our core technology infrastructure could present a significant threat to the continuation of our business operations, particularly where failures impact hotel management and reservation systems. **Strategic objectives under threat:** ④ Long-term sustainability ⑤ Consistently deliver the refreshed intended guest experience across our properties	High ↔	During 2019 we performed a review of IT Business Continuity and assessed current backup and recovery arrangements for all critical systems. Through this review, we identified a number of options for strengthening the resilience of our core infrastructure. **Outlook for 2020** We currently and will continue strengthening our technology infrastructure throughout 2020 and mitigate this risk providing suitable levels of protection and built-in redundancy for our core systems.

SAFETY & CONTINUITY

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2020
Food Safety The Group could experience significant food safety or allergen related incidents through failings in food preparation, storage or our supply chain. A serious incident could damage our reputation and lead to falling revenue. **Strategic objectives under threat:** ④ Long-term sustainability ⑤ Consistently deliver the refreshed intended guest experience across our properties	High *Newly Reported*	The health and well-being of our guests is a key priority and fundamental to our success. To monitor performance against our expected high standards, we engage third party food safety experts to conduct a thorough in-house and supplier audit programme. Continued consolidation of our food supply chain during the year has allowed us to strengthen our control with improved supplier visibility and audit coverage. **Outlook for 2020** Although we acknowledge food safety to be a high inherent risk area within the hospitality sector, our focus continues on minimising the likelihood of incidents occurring. In particular, we continue to review the strength of our communications in respect of allergens and improve on team member training and awareness.
Physical Security and Safety Physical security and safety incidents at one or more of our properties could jeopardise the safety of our guests and team members as well as disrupt operations severely. Although the prime city centre location of many of our properties is a strategic strength, it also heightens the inherent risk of security threats. A failure to take reasonable steps to prevent serious security or safety incidents, or a failure to respond appropriately, could impact our reputation and result in significant loss of guest and stakeholder confidence. **Strategic objectives under threat:** ④ Long-term sustainability ⑤ Consistently deliver the refreshed intended guest experience across our properties	Medium *Newly Reported*	Security and fire safety procedures are in place at all of our managed properties, including emergency evacuation plans. Our dedicated security, health and safety teams perform regular risk assessments and develop response plans in respect of significant threats to the physical security and safety of our guests and team members. We also maintain established Crisis Plans across all of our properties, which are reviewed, tested and communicated to management regularly. **Outlook for 2020** The safety and security of our guests and team members will remain a priority at all times. We continue to monitor threats, maintain our standards and strive for continual improvement.
Operational Resilience We could experience disruption to our operations from incidents at our hotels or in the immediate vicinity, for example floods, extreme weather, social unrest, terrorism. As the current Coronavirus outbreak evolves it could present a temporary threat to the continuity of our services and operations. **Strategic objectives under threat:** ④ Long-term sustainability ⑤ Consistently deliver the refreshed intended guest experience across our properties	Medium *Newly Reported*	To respond appropriately to external incidents which threaten the continuity of our operations, there are established Crisis Plans and longer-term Business Continuity Plans in place for each of our hotels. Although the extent of impact to our operations is dependent on the severity of an incident and largely outside of our control, our ability to respond quickly and our insurance coverage can minimise the financial impact. **Outlook for 2020** We continue to monitor the Coronavirus outbreak closely and conduct ongoing reviews of our response plans and measures. Throughout 2020, we will continue strengthening our Business Continuity and Crisis Plans with particular focus on critical roles and operational areas.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

PEOPLE

Principal Risk Description	Risk Priority	Risk Response and Outlook for 2020
Availability of Labour in the UK Changes in demographics and migration could result in a reduction in available labour. The UK's departure from the EU is likely to accelerate this threat. Difficulties in recruiting and retaining team members could damage profitability through increased people costs and/or falling revenues following a negative impact on service. **Strategic objectives under threat:** 5 Consistently deliver the refreshed intended guest experience across our properties 6 Maintain high operating margins	High ↑	We continue to manage this significant threat proactively with several initiatives in place or underway. In London, we acquired property for the development of employee accommodation to drive attraction and retention of hotel workers. Our housekeeping in London is managed in-house by our Accommodation Services team, giving us greater control in recruiting, retaining and growing our own people while improving the guest experience. We promote flexible working hours for relevant roles and provide guaranteed hours and greater job security. We have also increased our focus on talent development and invested more in developing people and new technology. To attract talent, we have built a new careers website (launching early 2020), engaged with schools to build early engagement and continued with our apprenticeships programme within the UK. We also work with selected partners to reach out to the communities in which we operate. **Outlook for 2020** The influence of the political, economic and social environment means the availability of labour is likely to continue to remain a high priority risk area. We continue to address this risk through longer term workforce planning, improving our attractiveness as an employer and targeted retention strategies.

VIABILITY STATEMENT

In addition to the going concern statement, the Directors have considered the viability of the business.

The Group developed an annual business planning process, which includes a robust three-year plan that takes into consideration the Company's strategy, the principal risks and the current market conditions. This plan will be reviewed and approved each year by the Board, following which it will be cascaded down across the Group and provide the basis for strategic actions taken across the business.

In addition, during the year, the Group updated its enterprise-wide risk assessment, facilitated by the Enterprise Risk Manager, in which risks were identified and assessed by the senior executives using the Group risk assessment criteria based on the combination of the likelihood of risk and the impact should it materialise. The principal risks are documented on pages 42 to 46. The principal risk schedule was approved by the executive management team, the Audit Committee and the Board.

The Group's viability assessment is based on the three-year financial forecast, adjusted with principal risks that are assumed to crystallise in parallel during the assessment period.

The principal risks' effect on the Group is quantified throughout the three-year financial forecast by applying the following stress testing:

- Decrease in average daily rate
- Decrease in occupancy
- Decrease in EBITDA margin
- Increase in project costs

Many of the principal risks can result in a decrease in average daily rates and occupancy. Changes in the economic environment or market dynamics could impact our ability to maintain a competitive pricing position. Principal risks which directly impact our brand reputation or disrupt our operations could also reduce ADR and occupancy.

As an owner/operator of hotels the Group has higher operational leverage than those operating an asset light model. This has a positive benefit on EBITDA margins when revenue growth is increasing but has a negative impact on margins when trading slows. A reduction in the EBITDA margin can be caused by changes in the macro environment or the materialisation of a number of the principal operational and reputational risks, as well as an increase in fixed costs.

An increase in project costs is linked to the principal risk of overruns in respect of ongoing development projects. It should be noted that only the preliminarily development costs associated with the art'otel Hudson Yards New York project, which is expected to open in 2023, were included in the financial forecast as this project is still in it's early stages and management anticipate that the additional development costs will be financed by third party facilities and therefore should not materially affect the Group's net cash and cash flows.

The stress tests were evaluated for various outcomes including the impact on the Group's net cash, cash flows, property fair values and the impact of a parallel crystallisation of the above mentioned stress tests on the Group's financial covenants. The underlying assumption for any potential breaches in covenants was that the Company will repay part of the loan principal in order to comply with those covenants. This assumption is based on cures for covenant breaches that are included in the Group facilities agreements. Moreover, the Group's weighted average loans maturity was above 7 years which was also considered when assessing the solvency and liquidity of the Group.

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

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 2022 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 2022.

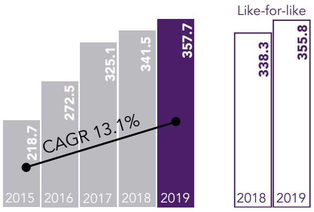
KEY PERFORMANCE INDICATORS: MEASURING OUR PROGRESS

FINANCIAL KPIs

TOTAL REVENUE

£m

£357.7m



KPI definition

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

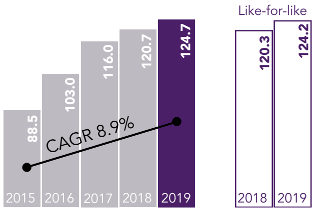
Comment

Revenue, which increased by 4.8%, was positively affected by the maturing of Park Plaza Victoria Amsterdam and Park Plaza London Riverbank, which were repositioned in 2018 and improved trading throughout our London and Amsterdam hotels. However, it was negatively affected by a decrease in room inventory due to the repositioning of a number of properties in the United Kingdom and the Netherlands and the termination of a lease agreement in Dresden, Germany in July 2018.

EBITDAR

£m

£124.7m



KPI definition

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

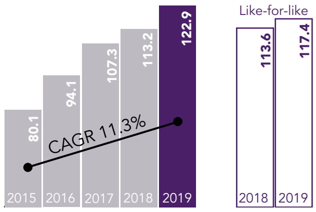
Comment

EBITDAR, which increased by 3.3%, was positively affected by the maturing of Park Plaza Victoria Amsterdam and Park Plaza London Riverbank, which were repositioned in 2018 and improved trading throughout our London and Amsterdam hotels. However, it was negatively affected by a decrease in room inventory due to the repositioning refurbishment of a number of properties in the United Kingdom and the Netherlands.

EBITDA

£m

£122.9m



KPI definition

Earnings before interest, tax, depreciation and amortisation.

Comment

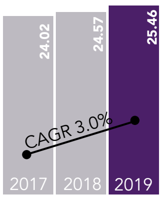
EBITDA, which increased by 8.6%, was positively affected by the maturing of Park Plaza Victoria Amsterdam and Park Plaza London Riverbank, which were repositioned in 2018 and improved trading throughout our London hotels. In addition, EBITDA increased as a result of the first time adoption of IFRS 16 and the termination of the loss making lease agreement in Dresden in July 2018. However, EBITDA was negatively affected by a decrease in room inventory due to the repositioning refurbishment of a number of properties in the United Kingdom and the Netherlands.

PROPERTY KPIs

EPRA NAV PER SHARE

£

£25.46



KPI definition

Net Asset 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.

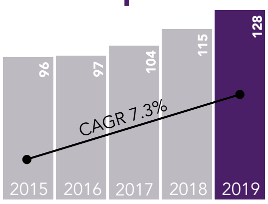
Comment

EPRA NAV per share, which increased by 3.6%, was positively affected by the revaluation of the recently repositioned properties and the earnings for the year. However, it was negatively affected by the divided distribution of 37p in 2019 and the weakening of the Euro and Croatian Kuna compared to Pound Sterling.

ADJUSTED EPRA EPS

Pence

128p



KPI definition

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

Comment

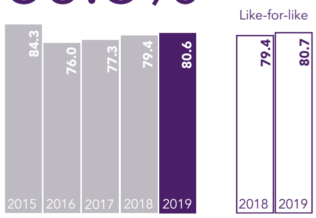
Adjusted EPRA earnings EPS, which increased by 11.7%, were positively affected by the improved results.

OPERATING KPIs

OCCUPANCY

%

80.6%



KPI definition

Total rooms occupied divided by the available rooms.

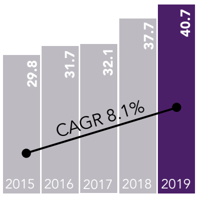
Comment

Like-for-like occupancy improved by 130 bps with reported occupancy increasing by 120 bps year-on-year. Occupancy increased across all of our operating regions, except Germany where occupancy was flat.

NORMALISED PROFIT BEFORE TAX

£m

£40.7m



KPI definition

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

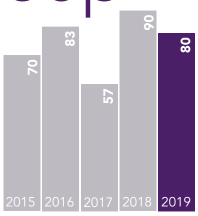
Comment

Normalised profit, which increased by 7.9%, was positively affected by the increase in EBITDA. However, this was offset by an increase in depreciation costs.

REPORTED EARNINGS PER SHARE

Pence

80p



KPI definition

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

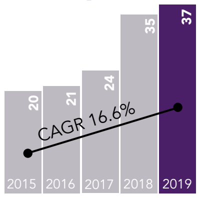
Comment

Reported earnings per share decreased by 11.0% in line with the decrease in reported profit.

DIVIDEND PER SHARE

Pence

37p



KPI definition

The total dividends paid out over an entire year divided by the number of outstanding ordinary shares issued.

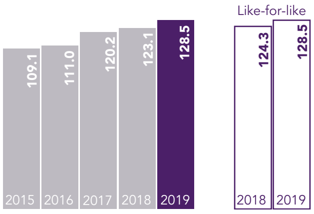
Comment

Ordinary dividend increased by 5.7% year-on-year, with a final dividend of 20 pence per share proposed.

AVERAGE ROOM RATE

£

£128.5



KPI definition

Total room revenue divided by the number of rooms sold.

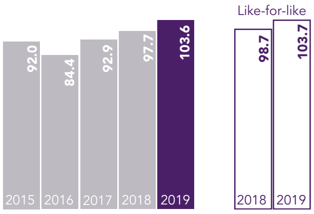
Comment

Like-for-like average room rate increased by 3.4%, with reported average room rate increasing by 4.4%. Average room rate increased in the UK and Dutch regions but stayed stable in the rest of our operating regions.

REVPAR

£

£103.6



KPI definition

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

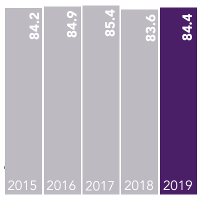
Comment

Like-for-like RevPAR increased by 5.1%, with reported RevPAR increasing by 6.0%, due to the increase in occupancy.

EMPLOYEE ENGAGEMENT

%

84.4%



KPI definition

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

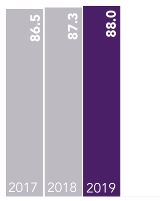
Comment

We have increased our overall engagement score. In 2019 we focused on embedding our renewed Company culture. Many initiatives took place that helped create an optimal working climate for our team members. We are happy to see this reflected in our engagement score and we will focus on maintaining this upwards momentum in 2020.

GUEST RATING SCORE

%

88.0%



KPI definition

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

Comment

We have continued to improve our Guest Rating Score in 2019, with our overall performance increasing by 0.7 to 88.0%. This is the result of our continued investments in properties and training of our teams.

DANIEL KOS
CHIEF FINANCIAL OFFICER & EXECUTIVE DIRECTOR

BUILDING ON A STRONG TRACK RECORD

FINANCIAL RESULTS

Key financial statistics for the financial year ended 31 December 2019

	Reported in GBP (£)		Like-for-like GBP[1] (£)	
	Year ended 31 December 2019	Year ended 31 December 2018	**Year ended 31 December 2019**	Year ended 31 December 2018
Total revenue	**£357.7 million**	£341.5 million	**£355.8 million**	£338.3 million
EBITDAR	**£124.7 million**	£120.7 million	**£124.2 million**	£120.3 million
EBITDA	**£122.9 million**	£113.2 million	**£117.4 million**	£113.6 million
EBITDA margin	**34.4%**	33.1%	**33.0%**	33.6%
Reported PBT	**£38.5 million**	£46.4 million	**–**	–
Normalised PBT	**£40.7 million**	£37.7 million	**–**	–
Reported EPS	**80p**	90p	**–**	–
Dividend per share	**37p**	35p	**–**	–
Occupancy	**80.6%**	79.4%	**80.7%**	79.4%
Average room rate	**£128.5**	£123.1	**£128.5**	£124.3
RevPAR	**£103.6**	£97.7	**£103.7**	£98.7
Room revenue	**£250.6 million**	£236.6 million	**£249.1 million**	£234.3 million
EPRA NAV per share	**£25.46**	£24.57	**–**	–
Adjusted EPRA earnings per share	**128p**	115p	**–**	–

1 The like-for-like comparison for 2019 excludes the influence of IFRS 16, which was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. Furthermore, the like-for-like figures for the year ended December 2019 exclude the operation of Park Plaza Vondelpark, Amsterdam from August to December (the property was temporarily closed for renovations during this period in 2018). The like-for-like figures for the year ended December 2018 exclude the first three months of operation for Park Plaza Vondelpark, Amsterdam (the property was temporarily closed for renovations during this period in 2019). Furthermore, the like-for-like figures for the year ended December 2018 exclude the operation of art'otel Dresden (the lease of which was terminated on 31 July 2018).

OVERVIEW 2019

We are pleased to report another year of delivering results in line with our financial expectations. We achieved good growth in revenues and profits, as the financial benefits from recently completed major repositioning projects and new openings continued to come through. In the last three years we have invested over £100 million in our repositioning and refurbishment programme, which has resulted in some disruption to our operations. Notwithstanding the loss of room stock whilst these projects were undertaken, a combination of sound planning and execution, as well as a large, well positioned portfolio, has enabled us to continue to deliver annual growth in revenues and profits throughout the last three years.

The key focus for 2019 was driving the performance of our recently refurbished hotels in London, progressing our ongoing investment programme to develop a new hotel in London and renovate several properties in the United Kingdom, the Netherlands and Croatia. In total, we invested more than £72 million in these initiatives during the year. Whilst it is early days, we are on course to deliver the overall targeted return from this investment.

We are pleased to report an EPRA NAV per share of £25.46 (2018: £24.57) and adjusted EPRA earnings per share of 128 pence (2018: 115 pence), reconfirming the value we created for our shareholders through our strategic focus on our owner/operator model, combined with in-house development. As a result of the increase in our cash earnings, the Board proposed to increase the final dividend by 5.3% to 20 pence per share, which brings the total dividend over the year 2019 to 37 pence per share (2018: 35 pence per share).

OPERATIONAL PERFORMANCE

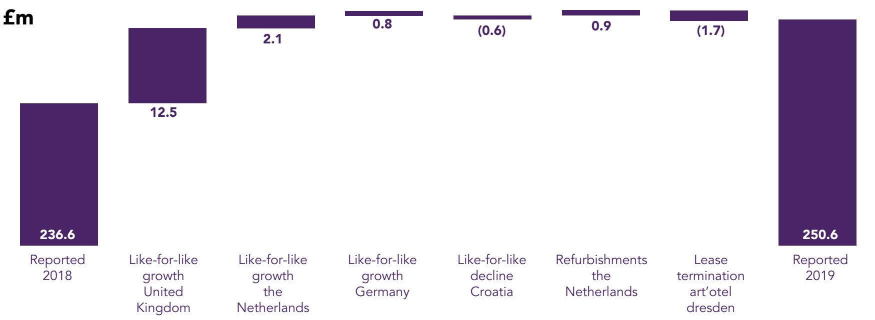
Revenue

On a like-for-like[1] basis, total revenue increased by 5.2% to £355.8 million and reported total revenue was up 4.8% to £357.7 million, notwithstanding some currency headwinds in the year.

Growth was primarily driven by roomstock coming back on stream following the completion of the repositioning programme, and a strong rate led RevPAR performance in the United Kingdom across a number of hotels.

Like-for-like[1] RevPAR was £103.7, an increase of 5.1% (2018: £98.7), led by a 3.4% increase in average room rate to £128.5 (2018: £124.3). Like-for-like[1] occupancy improved by 130 bps to 80.7% (2018: 79.4%). Whilst RevPAR growth was predominantly London led, the Netherlands region also generated a positive contribution. Overall, reported RevPAR was £103.6 (2018: £97.7), up 6.0%, driven by a 4.4% increase in average room rate and a 120 bps improvement in occupancy.

YEAR-ON-YEAR ROOM REVENUE GROWTH



As a result of the strong RevPAR growth, in combination with additional roomstock, like-for-like room revenue was up 6.3% to £249.1 million (2018: £234.3 million).

EBITDA and EBITDA margin

On a like-for-like[1] basis, EBITDA increased by 3.4% to £117.4 million. Group reported EBITDA increased by 8.6% to £122.9 million and EBITDA margin increased to 34.4%. EBITDA growth was driven by the rate led RevPAR growth and supported by the IFRS 16 changes on accounting for leases. The IFRS change mainly affected the EBITDA of two of the Group's hotels, which are operated under a short-term operating lease.

Although we continue to see labour related cost pressures in all the markets in which we operate, we were able to maintain margins in two of our four regions. The EBITDA margin in the Croatian region decreased by 110 bps to 29.8%, mainly driven by an average rate related RevPAR decline of 1.9% on the back of a softer than expected performance in high season.

IFRS 16

From 1 January 2019 the Group adopted the latest accounting standard for leases, IFRS 16, which in essence aims to recognise the assets and liabilities of virtually all leases on balance sheet. Previously leases that were classified as operating leases were not recognised on the balance sheet, with the payments charged to rent expense included in EBITDA. Following the implementation of FRS 16 from the start of 2019 the Group has recognised the future payment obligations as liabilities and the corresponding right-of-use assets as assets within the balance sheet. In accordance with the new accountng treatment, instead of a rent expense, the assets are now subject to a charge for depreciation and the liabilities incur a financial expense both classified below EBITDA in the Income statement. As described in the table below, as a result of the implementation, EBITDA increased by £5.3 million however this was offset further down the income statement by higher charges for depreciation and financial expenses causing a net decrease of £0.4 million on profit before tax.

	According to the previous accounting policy £'000	The change £'000	As presented according to IFRS 16 £'000
Operating expenses	(233,295)	271	(233,024)
Rent expenses	(6,822)	5,048	(1,774)
EBITDA	117,575	5,319	122,894
Depreciation and amortisation	(38,032)	(3,717)	(41,749)
Interest on lease liabilities	(7,114)	(2,032)	(9,146)
Profit before tax	38,907	(430)	38,477

Profit and earnings per share

Normalised profit before tax increased by 7.9% to £40.7 million (2018: £37.7 million). Normalised profit before tax was positively supported by the increased EBITDA but partially offset by an increase in depreciation costs of £2.1 million on the back of the recent investment programme. The implementation of IFRS 16 has reduced the Group's normalised profit before tax by £0.4 million. Below is a reconciliation table from reported to normalised profit.

As discussed above, depreciation increased in the year from £35.9 million to £41.7 million, mainly as a result of the implementation of IFRS 16. Although depreciation is recorded in accordance with GAAP, internally we consider our ongoing average capital expenditure (capex) over the lifespan of our hotels as a more relevant measure in determining profit, which in the hospitality industry is calculated as approximately 4% of total revenue. Our EPRA earnings number set out on page 57 of this report is calculated using the 4% rate instead of the reported non-cash depreciation charge.

Reported profit before tax decreased by £7.9 million to £38.5 million (2018: £46.4 million). 2018 reported profit was affected by non-recurring items which mainly include the one-off revaluation of the Company's previously held equity interest in art'otel london hoxton.

	Reconciliation reported to normalised profit	
	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Reported profit before tax	**38.5**	46.4
Termination of operating lease	**–**	3.1
Gain on revaluation of previously held interest in art'otel london hoxton development	**–**	(20.3)
Expenses in connection with transfer to Premium listing	**–**	1.6
Results from marketable securities	**(0.9)**	0.7
Remeasurement of lease liability	**3.4**	4.8
Refinance costs and expenses (including termination of hedge)	**–**	0.3
Park Plaza Westminster Bridge London fair value adjustment on income swaps and buy-back of Income Units	**0.9**	1.0
Forfeited deposits from rescinded sale contracts of Income Units at Park Plaza Westminster Bridge London to private investors	**–**	(0.1)
Revaluation of Park Plaza County Hall London Income Units	**(0.9)**	–
Capital loss on disposal of fixed assets and inventory	**0.1**	–
Pre-opening expenses	**0.7**	0.2
Release of provision for litigation	**(1.1)**	–
Normalised profit before tax	**40.7**	37.7

Reported basic/diluted earnings per share for the period were 80 pence, a decrease of 11% (2018: 90 pence).

The table on page 51 provides selected data from the Group's reported balance sheet and profit and loss accounts for the year ended 31 December 2019. With this table, the Group aims to assist investors in making a further analysis of the Group's performance and capital allocation, separating its excess cash position (to fund further growth), the development projects and the assets of Arena Hospitality Group d.d. This data is additional to the segments that are monitored separately by the Board for resource allocations and performance assessment, which are the segments of the Group.

	PPHE Hotel Group			Arena Hospitality Group[6]		Total
	Trading properties £m	Excess Cash[4] £m	Non-trading projects[3] £m	Trading properties £m	Excess Cash[4] £m	PPHE Hotel Group Reported £m
Balance Sheet						
Book-value properties (excluding Income Units at Park Plaza Westminster Bridge London sold to third parties)[1]	645.3	–	99.3	251.9	–	996.5
Right-of-use asset[1]	194.1	–	–	24.6	–	218.7
Book value intangible assets	16.3	–	–	1.7	–	18.0
Book value non-consolidated investments	–	–	13.7	4.4	–	18.1
Other long-term assets	18.0	–	–	4.2	–	22.2
Working capital	(16.8)	–	–	(7.3)	–	(24.1)
Cash and liquid investments	46.0	34.0	–	6.8	76.8	163.6
Bank/Institutional loans (short/long term)	(567.1)	–	–	(111.2)	–	(678.3)
Finance lease liability, land concession and other provisions	(206.2)	–	–	(30.1)	–	(236.3)
Deferred profit Income Units in Park Plaza Westminster Bridge London[5]	(10.2)	–	–	–	–	(10.2)
Other provisions	(5.6)	–	–	(1.9)	–	(7.5)
Total capital consolidated	**113.8**	**34.0**	**113.0**	**143.1**	**76.8**	**480.7**
Minority shareholders	–	–	–	(67.3)	(36.2)	(103.5)
Total capital employed by PPHE Hotel Group shareholders	**113.8**	**34.0**	**113.0**	**75.8**	**40.6**	**377.2**
Normalised profit						
Revenue	265.4	–	0.4	91.9	–	357.7
EBITDAR	95.5	–	0.4	28.7	–	124.7
Rental expenses	(0.2)	–	–	(1.6)	–	(1.8)
EBITDA	95.4	–	0.4	27.1	–	122.9
Depreciation	(30.7)	–	–	(11.1)	–	(41.8)
EBIT	64.7	–	0.4	16.0	–	81.1
Interest expenses: banks and institutions	(19.9)	–	–	(3.1)	–	(23.0)
Interest on finance leases	(8.6)	–	–	(0.5)	–	(9.1)
Westminster Bridge London	(10.5)	–	–	–	–	(10.5)
Other finance expenses and income	1.2	0.2	0.5	0.1	–	2.0
Minority interests	–	–	–	0.2	–	0.2
Result from equity investments	–	–	–	–	–	–
Normalised profit before tax 31 December 2019[2]	**26.9**	**0.2**	**0.9**	**12.7**	**–**	**40.7**
Reported tax	(0.5)	–	–	4.6	–	4.1
Normalised profit after reported tax	**26.4**	**0.2**	**0.9**	**17.3**	**–**	**44.8**
Normalised profit attributable to minority shareholders	–	–	–	(8.3)	–	(8.3)
Normalised profit after tax attributable to PPHE Hotel Group shareholders	**26.6**	**–**	**0.9**	**9.0**	**–**	**36.5**

1 These are stated at cost price less depreciation. The fair value of these properties is substantially higher.
2 A reconciliation of reported profit to normalised profit is provided on page 53.
3 This contains properties that are in development.
4 Excess cash is directly available for further investments and developments.
5 This is the book value of units in Park Plaza Westminster Bridge London netted with the advanced proceeds these investors received in 2010.
6 Arena Hospitality Group d.d is listed on the Zagreb Stock Exchange. The market capitalisation at 31 December 2019 is £218.4 million.

REAL ESTATE PERFORMANCE

EPRA NAV

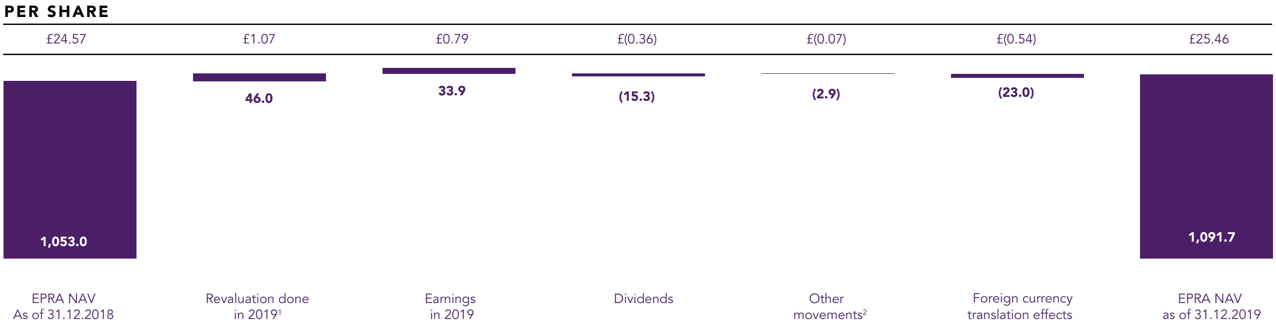
Given the Group's real estate driven business model, certain EPRA performance measurements are disclosed to aid investors in analysing the Group's performance and understanding the value of the Group's assets and its earnings from a property perspective. As a developer, owner and operator of hotels,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

In June 2019, the Group's properties (with the exception of operating leases, managed and franchised properties) were independently valued by Savills (in respect of properties in the Netherlands, UK and Germany) and by Zagreb nekretnine Ltd (ZANE) (in respect of properties in Croatia)[1]. Based on their valuations we have calculated the Group's EPRA net asset value (EPRA NAV).

The EPRA NAV as at 31 December 2019, set out in the table below amounts to £1,091.7 million, which equates to £25.46 per share. This EPRA NAV was negatively affected by adverse currency movements and overall presented a year-on-year growth of 3.6%. On a constant currency basis, EPRA NAV (after dividends) grew by 5.9% to £26.01.

1 The properties were valued in local currency and translated to Pound Sterling using the closing exchange rate as per 31 December 2019.

EPRA NAV
£m



1 The revaluation was done based on the same foreign exchange rates as 31 December 2018.
2 Includes other changes in equity, deferred taxes, and the effects of the exercise of options.

	31 December 2019 £m	31 December 2018 £m
NAV per the financial statements	**377.3**	373.5
Effect of exercise of options	**4.0**	4.7
Diluted NAV, after the exercise of options[1]	**381.2**	378.2
Includes:		
Revaluation of owned properties in operation (net of non-controlling interest)[2]	**699.2**	655.8
Revaluation of development property (art'otel london hoxton)[3]	**–**	5.4
Revaluation of the JV interest held in two German properties (net of non-controlling interest)	**3.9**	3.8
Excludes:		
Fair value of financial instruments	**(0.7)**	(0.4)
Deferred tax	**(6.7)**	(9.4)
EPRA NAV	**1,091.7**	1,053.0
Fully diluted number of shares (in thousands)[1]	**42,872**	42,860
EPRA NAV per share (in £)	**25.46**	24.57

1 The fully diluted number of shares excludes treasury shares but includes 412,290 outstanding dilutive options (as at 31 December 2018: 522,500).
2 The fair values of the properties were determined on the basis of independent external valuations prepared in the summer of 2019.
3 In 2018 the development site of art'otel london hoxton was independently valued of £82.5 million. Given that the site is under development it was not revalued in 2019 and is measured at cost.

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

Location	Number of properties	Number of rooms/ pitches	Property market value (£m)	Average value per room/pitch (£)	Discount rate	Cap rate
United Kingdom						
– London[1]	6	2,284	933	408,275	7.5%–9%	5%–6.5%
– Provinces	2	365	36	98,630	10%–10.75%	7.5%–8.25%
Netherlands						
– Amsterdam	4	849	257	302,981	7.25%–8.5%	5.25%–6.5%
– Provinces	2	224	40	179,127	9%–9.5%	7%–7.5%
Germany	3	547	94	172,073	8.25%–8.75%	6%–6.25%
Croatia						
– Hotels and apartments	13	2,775	145	52,279	8%–10%	7%–9%
– Campsites	8	5,827	99	17,010	9%–11%	7%–9%

1 Excluding units of Park Plaza Westminster Bridge London owned by third parties.

The Group has a proven track record of acquiring properties which we believe have significant upside potential. We undertake (re) development and redesign of these assets to maximise operational excellence and capital appreciation. Through refinancing these properties, we are able to release capital for new investments, enabling further growth of our Group. With our latest investments in London and New York, we aim to continue this successful strategy.

Capex

In 2019, we continued with our investment programme in order to upgrade the Group's property portfolio. In total our capex investment in 2019 amounted to £72 million, including the major repositioning projects of Park Plaza Utrecht and Park Plaza Vondelpark, Amsterdam in the Netherlands, as well as Holmes Hotel London in the United Kingdom. In Croatia, we have completed a major repositioning of the Arena Kažela Campsite.

As we enter 2020, major repositioning programmes are well underway in Croatia, where Hotel Brioni will be the most significant with a £27 million investment programme. The current 2-star hotel will be repositioned to a 5-star 227-room, full service luxury hotel, with stunning views over the Adriatic sea and the Brioni Island.

In addition to the above repositioning programme, the Group commenced construction of the art'otel london hoxton. The Group is progressing with its plans to build a 27-storey mixed-use building for an estimated further investment of £200 million. The planned scheme includes a 343-room hotel, five floors of office space, top-floor meeting and events facilities, and multiple food and beverages offerings, including a sky bar.

The average maintenance capex profile across the estate has historically been around 4% of revenue, through the hotel cycle.

EPRA EARNINGS AND CASH FLOW

The main adjustment to the normalised profit included in the Group's financial statements is adding back the IFRS depreciation charge, which is based on assets at historical cost, and replacing it with a charge calculated at 4% of the Group's total revenues. This represents the Group's expected average cost to maintain the estate in good quality. The basis for calculating the Company's 2019 adjusted EPRA earnings of £54.2 million (2018: £48.5 million) and the Company's adjusted EPRA earnings per share of 128 pence (2018: 115 pence) is set out in the table below.

	12 months ended 31 December 2019 £m	12 months ended 31 December 2018 £m
Earnings attributed to equity holders of the parent Company	**33.9**	38.1
Depreciation and amortisation expenses	**41.7**	35.9
Revaluation of Park Plaza County Hall London Income Units	**(0.9)**	–
Gain on re-measurement of previously held interest in joint venture	**–**	(20.3)
Early close-out costs of debt instrument	**–**	0.3
Changes in fair value of financial instruments	**(0.7)**	1.0
Non-controlling interests in respect of the above[3]	**(7.8)**	(6.1)
EPRA earnings	**66.2**	48.9
Weighted average number of shares (LTM)	**42,390,693**	42,335,136
EPRA earnings per share (in pence)	**156**	116
Company specific adjustments[1]:		
Capital loss on buy-back of Income Units in Park Plaza Westminster Bridge London previously sold to private investors	**0.7**	0.6
Termination of operating lease[4]	**–**	3.1
Remeasurement of lease liability[5]	**3.4**	4.8
Other non-recurring expenses (including pre-opening expenses)	**0.8**	0.2
Expenses in connection with transfer to premium listing	**–**	1.6
Gain from settlement of legal claim[8]	**(1.1)**	–
Adjustment of lease payments[6]	**(2.2)**	–
Investment tax credit[7]	**(5.1)**	–
Maintenance capex[2]	**(14.3)**	(13.6)
Non-controlling interests in respect of the above[3]	**5.8**	2.9
Company adjusted EPRA earnings	**54.2**	48.5
Company adjusted EPRA earnings per share (in pence)	**128**	115

Reconciliation Company adjusted EPRA earnings to normalised reported profit before tax		
Company adjusted EPRA earnings	**54.2**	48.5
Reported depreciation	**(41.7)**	(35.9)
Non-controlling interest in respect of reported depreciation	**7.8**	6.0
Maintenance capex (4% of total revenues)	**14.3**	13.6
Non-controlling interest on maintenance capex	**(5.8)**	(2.9)
Adjustment of lease payments[6]	**2.2**	–
Investment tax credit[7]	**5.1**	–
Profit attributable to non-controlling interest	**8.7**	5.4
Reported tax	**(4.1)**	3.0
Normalised profit before tax	**40.7**	37.7

1 The 'Company specific adjustments' represent adjustments of non-recurring or non-trading items.
2 Calculated as 4% of revenues, which represents the expected average maintenance capital expenditure required in the operating properties.
3 Non-controlling interests include the non-controlling shareholders in Arena and third-party investors in income units of Park Plaza Westminster Bridge London.
4 In March 2018, the Group entered into an agreement to terminate the loss making lease agreement for the 174-room art'otel dresden, effective from 31 July 2018. To exit from this lease, the Group incurred an expense of £3.1 million. This termination resulted in a rent reduction that benefits the Group's EBITDA by approximately £0.5 million annually.
5 Non-cash remeasurement of lease liability relating to minimum future CPI increases.
6 Lease cash payments on account of lease liabilities redemption which are not recorded as an expense due to the implementation of IFRS 16.
7 Investment tax credit received in Croatia. See note 27f in the financial statements.
8 Release of provision as a result of a settlement reached in a legal dispute in Croatia. See note 16a in the financial statements.

FUNDING

Alongside traditional bank funding, the Group has used various financing options in order to optimise returns while remaining at comfortable leverage levels. These include sale-and-finance leaseback arrangements (>100 years), arrangements whereby the returns of individual rooms were sold to investor] and the secondary purchase offer in a listed subsidiary.

Arrangements with unitholders involve the sale of individual Income Units which directly relate to an individual room in a property (a 'Unit') to third party investors; these investors pay upfront and receive a contractual right to the future cash flow from the individual Units with no repayment obligation on the Group. The Group raised funds through the sale of Units in its Park Plaza Westminster Bridge London Hotel during its construction. The proceeds were used to build the hotel.

The Group has taken the opportunity to sell the land of certain assets, whilst securing a long-term finance leaseback, to take advantage of the low interest rate environment and secure long-term funding with no amortisation payments. All finance leases, except one, have lease payments that are fixed with annual capped/collared CPI/RPI adjustments. The finance leases, valued on a leasehold basis (i.e. the value of the assets, net of the accounted finance lease liability), have been included in the Group's EPRA NAV.

In addition to the above finance arrangements, the Group also raised funds through the secondary offering in Arena Hospitality Group d.d, its listed subsidiary in Croatia, in 2017, and retained a controlling shareholding. The proceeds, totalling €100 million, are currently used to fund the expansion of Arena Hospitality Group and upgrading of certain properties.

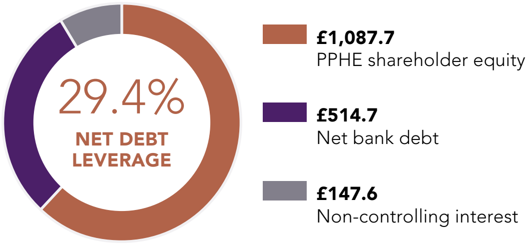
In the case of traditional bank funding, whereby assets are typically ringfenced into single or Group facilities, the loan to value ratio policy varies between 50% and 65%, depending on the location of the asset. The current net bank debt leverage of the Group stands at 29.4%, with three properties currently unencumbered, including the Hoxton development site.

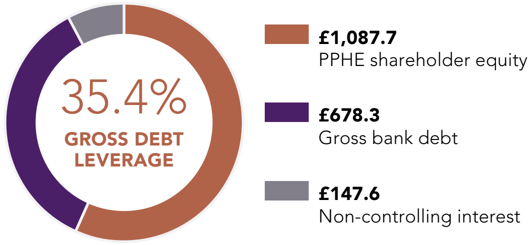
The Group's total assets (properties at fair value) represent a value after the deduction of lease liabilities and unit holder liabilities. Accordingly, in the total loan-to-value (LTV) analysis of the Group, management considers the value of the freehold and long leasehold assets (net of these liabilities)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

Bank financing	£m
Over 5-year debt	609.9
Less than 5-year debt	68.4
Cash	163.6
Net bank debt	514.7
Equity	
– Reported	377.3
– Market value restatement	710.4
Equity attributable to shareholders of the Group[1]	1,087.7
Non-controlling interest	
– Reported	103.5
– Market value restatement[2]	44.1
Equity attributable to non-controlling interest	147.6
Total equity	1,235.3
Group's total asset (properties at fair value)	1,750.0

1 Equity attributable to shareholders of the Group based on EPRA NAV excluding the £4.0 million effect due to exercise of dilutive options.
2 The market value restatement for the equity attributable to non-controlling interest represents the minority's share in the EPRA NAV adjustments.

DEBT EQUITY





The Group reported a gross bank debt liability of £678.3 million (31 December 2018: £697.3 million) and net bank debt of £514.7 million (31 December 2018: £479.6 million). Key movements in net bank debt in 2019 included a reduced cash position and liquid investments of £35.0 million, primarily due to the acquisition of a 50% interest in the freehold site in Manhattan in New York, the acquisition of a freehold site close to Waterloo Station in London and the significant capex in our real estate investment programmes and a dividend payment offset by the Group cash from operations.

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

Loan maturity profile at 31 December 2019 (£m)

	Total	1 year	2 years	3 years	4 years	5 years	Thereafter
£m	678.3	13.4	13.4	13.4	15.1	13.1	609.9

- Average cost of bank debt 3.1%
- Average maturity of bank debt 7.1 years
- Group average bank interest cover 4.4

KEY CHARACTERISTICS DEBT FOR OPERATING PROPERTIES

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

STRONG COVER RATIO

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

ACQUISITIONS AND DEVELOPMENT PIPELINE

Our in-house team is continuously seeking out and evaluating opportunities to expand our estate across prime locations, which we believe will offer attractive returns to shareholders.

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

The Group's acquisition criteria include:

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

We have a £300 million plus pipeline of new hotels, including iconic development Hoxton London and New York, scheduled to open in 2023. These are art'otel london hoxton and a site in New York City, planned to open as an art'otel. The Group furthermore announced the acquisition of a plot of land near Waterloo Station in London, for which it is currently in the process of obtaining planning consent for a hotel development. The Group's Croatian subsidiary, Arena, has contracted to aqcuire a hotel in Belgrade, Serbia and, post period end, announced that it has entered into a lease agreement to develop a hotel in Zagreb Croatia.

SHAREHOLDER RETURN

The table below shows cash returns on our operational assets and our development assets and excess cash. Development assets and excess cash are not yielding until a hotel opens its operations. When development projects become operational, the yield of these operational assets will have a positive impact on the implied return.

31 December 2019	Operational assets £'m	Development asset and excess cash £'m	Total £'m
Net assets employed	1,637.0	113.0	1,750.0
Bank financing	(625.5)	110.8	(514.7)
Minority interest	(111.4)	(36.2)	(147.6)
EPRA NAV[1]	900.1	187.6	1,087.7
	82.8%	17.2%	100.0%
Recurring adjusted EPRA earnings	53.1	1.1	54.2
Implied return on EPRA NAV	5.9%	0.6%	5.0%
Implied return on Company market capitalisation[2]	8.9%	0.6%	6.9%

1 EPRA NAV excluding the £4.0 million effect due to exercise of dilutive options provided on page 55.
2 Company market capitalisation is based on the market share price as at 31 December 2019 (1,850 pence).

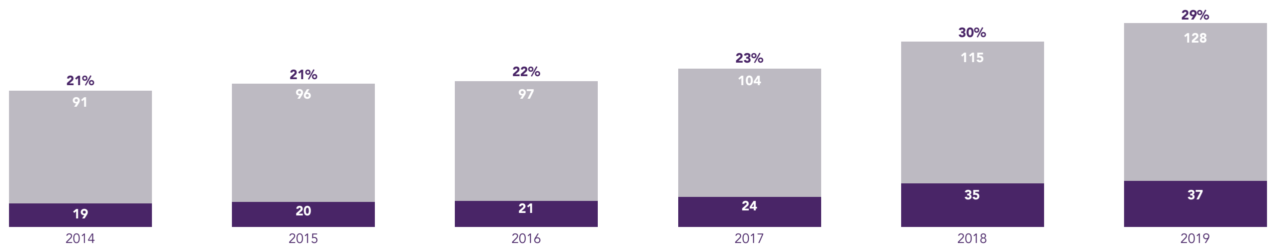
DIVIDEND

The Board is proposing a final dividend payment of 20 pence per share (2018: 19 pence per share). When combined with the interim ordinary dividend of 17 pence per share (2018: 16 pence per share) paid to shareholders on 15 October 2019, the total ordinary dividend for the year ended 31 December 2019 is 37 pence per share (2018: 35 pence), an increase of 5.7%.

Subject to shareholder approval at the Annual General Meeting, to be held on 19 May 2020, the dividend will be paid on 22 May 2020 to shareholders on the register at 24 April 2020. The shares will go ex-dividend on 23 April 2020.

The increase in total ordinary dividends for the year is in line with the Group's progressive dividend policy whilst retaining proper and prudent reserves and the capacity to secure further attractive development opportunities as and when they arise. The dividend reflects the Board's continued confidence in its strategy, integrated business model and future prospects. The graph below highlights the progressive dividend policy, showing the dividend payments as a percentage of adjusted EPRA earnings over the last 6 years.

DIVIDEND GROWTH AS A % OF ADJUSTED EPRA EARNINGS



- Dividend per share (pence)
- Adjusted EPRA earnings per share (pence)
- Dividend as % of EPRA EPS

DANIEL KOS
CHIEF FINANCIAL OFFICER & EXECUTIVE DIRECTOR

GREG HEGARTY
DEPUTY CHIEF EXECUTIVE OFFICER &
CHIEF OPERATING OFFICER

IMPROVING OPERATIONAL PERFORMANCE

Driving operational performance

2019 has been a year of significant operational improvement for the Group, which is evident by our outperformance of industry benchmarks in key markets and our financial results. To power continued improvement, the Group's executive leadership team recently initiated a strategic review of all our people, assets and locations to ensure that the recently invested portfolio has the necessary support to deliver consistent, high level guest experiences and commercial success.

Following the reorganisation within every region of the business we have highly capable, analytical, commercial managers, who, following the implementation of the review recommendations, have increased responsibility for their respective properties. They lead our best in class colleagues to deliver exceptional guest experiences, which are vital in enabling us to realise the full value of our assets and achieve ongoing success.

We were delighted that this operational excellence was recognised in the second half of the year when Park Plaza in the UK was awarded the prestigious 'AA Large Hotel Group of the Year Award 2019-2020'. We were recognised for our committed and strategic approach to people development, as well as our proven track record of delivering the very best levels of service, food and accommodation across all properties. This recognition highlights the importance that we place on developing our strong Company culture and inclusive, fun working environment.

United Kingdom

In the UK, led by Regional Vice President Operations, UK, Daniel Pedreschi, who has been with the Group since 2009, we achieved strong performance benefiting from the recent repositioning projects. RevPAR increased by 7.4%, driven by a 5.0% increase in average room rate and a 200 bps increase in occupancy.

All hotels are fully operational following an extensive multi-year investment programme in the country. We are supporting these sites through continued investment in our employees, and during the year we acquired and refurbished a property in Chiswick Park for staff accommodation, for an investment of £2.9 million. This initiative, which we believe is key to maintaining our position as an employer of choice and to maintain staff levels, follows the move last year of bringing our housekeeping function under direct employment of the Group.

We believe that this staff accommodation, will give us a competitive advantage and help us to secure the best employees. The UK's withdrawal from the EU remains a consideration within our UK operations, and we continue to assess all risks and mitigation including across commerciality, operations, procurement and finance to ensure that we are well prepared for any eventual outcome.

The Netherlands

Our Dutch market is led by Regional Vice President Operations, the Netherlands, Michelle Wells, who has been with the Group for 12 years and was appointed to the role in 2019. In local currency, we delivered 3.7% growth in RevPAR, reflecting a 3.0% increase in average room rate and a 60 bps increase in occupancy. The performance was supported by the completed repositioning of our Park Plaza Vondelpark, Amsterdam property, which has been favourably received by guests. Park Plaza Victoria Amsterdam also performed well in its first full year of operation since its repositioning programme, which was completed in 2018. We look forward to driving the performance of these properties in the coming years and delivering on their return targets.

Croatia

Under the guidance of President of the Management Board, Reuel Slonim, operations across the Group's majority owned subsidiary Arena Hospitality Group are developing well. Of particular note is the launch of phase one of Arena Kažela Campsite in July 2019 and the solid performance of Arena One 99 in its first full year of operation.

Reported revenue in the region increased 3.1%, and EBITDAR remained stable at HRK 164.4 million (2018: HRK 165.0 million), with profitability generated by new investments offset by a more pronounced increase in cost of labour, travel agent commissions, waste management and property taxes.

We were delighted that our teams' commitment and hard work was recognised by awards. Arena Kažela Campsite was awarded 'Croatia's Best Campsite 2020' by the Croatian Camping Union and Arena One 99 won two accolades from the Croatian Tourist Awards programme for Best Glamping and Best Campsite.

Germany & Hungary

The German market continues to perform solidly. Our hotels, under the leadership of Regional General Manager, Germany & Hungary, Arnoud Duin, who has been with the Group for more than a decade, performed well during the year. In local currency, like-for-like RevPAR was up 4.8%, due to a 4.9% increase in average room rate and stable occupancy.

GREG HEGARTY
DEPUTY CHIEF EXECUTIVE OFFICER & CHIEF OPERATING OFFICER

MARKET OVERVIEW

United Kingdom

Value of UK property market	Total revenue
£969m	£207.4m

The Netherlands

Value of Dutch property market	Total revenue
£297m	£53.8m

Germany

Value of German property market*	Total revenue
£94m	£29.5m

Croatia

Value of Croatian property market	Total revenue
£244m	£61.1m

* Excludes the hotels under operating leases.

Daniel Pedreschi
Regional Vice President Operations, UK

UNITED KINGDOM PERFORMANCE

PROPERTY PORTFOLIO

The Group has a strong portfolio in the upper upscale segment of the London hotel market with 3,187 rooms in operation. Four of the Group's London hotels are centred around the popular South Bank, with further properties in the busy Victoria and fashionable Marylebone areas. There are also a total of three properties in the UK regional cities of Nottingham, Leeds and Cardiff. Hotels with an ownership interest include: Park Plaza London Riverbank, Plaza on the River London, Holmes Hotel London, Park Plaza Victoria London, Park Plaza Westminster Bridge London, Park Plaza London Waterloo, Park Plaza County Hall London[1], Park Plaza London Park Royal, Park Plaza Leeds, Park Plaza Nottingham. Park Plaza Cardiff[1] operates under a franchise agreement.

Total value of UK property portfolio[2]

£969m

1 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.

Operational performance

Hotel operations in the UK performed well during the year as the benefits from the upgraded room inventory at recently opened and repositioned properties in London continued to build in the period.

Total reported revenue increased by 6.3% to £207.4 million, primarily driven by the continued ramp up in trading of several hotels in London and the relaunch of Holmes Hotel London in the first half of the year following an extensive repositioning programme.

The performance at Park Plaza London Waterloo stablised in just three years from opening, quicker than anticipated for a new hotel development, and the total value created from development to the sale and finance leaseback was £120 million. Park Plaza London Riverbank also performed strongly following completion of a major £54 million repositioning project and extension, which increased the room inventory of this hotel by 40%. The Group's strong presence on London's South Bank gives it the ability to accommodate large meetings and events, driving premium rates.

Park Plaza Westminster Bridge London and Park Plaza London Waterloo outperformed their competitive set in all key operational metrics: occupancy, average daily rate and RevPAR. Outside of London, Park Plaza Nottingham also outperformed its competitive set in all key operational metrics.

Reported room revenue increased by 8.9% to £152.7 million.

Reported RevPAR was £133.7, up 7.4%, driven by a 200 bps increase in occupancy to 87.7%. Average room rate increased by 5.0% to £152.4.

Reported EBITDAR grew by 6.4% to £71.0 million and Reported EBITDA increased by 8.8% to £70.7 million, reflecting the improving performance as the new room inventory matures. On a like-for-like[3] basis, EBITDAR increased by 6.0% to £70.8 million and EBITDA was up 6.4% to £69.2 million.

Asset management projects

2019 investment projects

The investment programmes for our London hotels continued during the year, ensuring that these properties are well-positioned within the market.

The extensive repositioning of Holmes Hotel London (formerly known as Park Plaza Sherlock Holmes) was completed in May on time and budget, following a £9 million investment, to maximise the property's hospitality real estate potential and provide guests with a premium boutique offer which better reflects the local area. All 118 rooms were refurbished, as were the public areas. This included the relocation of the property's main entrance from Baker Street to the more aspirational Chiltern Street and the launch of a new restaurant, 'Kitchen at Holmes'. Since opening, the property's reimagined design and layout and 5-star service level have been very positively received by guests, reflected in an average guest rating score of 92.1% across independent review websites.

The final phase of Holmes Hotel London's repositioning is expected to be completed in 2020 and will see the hotel's meetings and events space reconfigured to a new subterranean self-contained space, bringing together meeting rooms, breakout spaces and a private kitchen.

At Park Plaza Victoria London, renovation work to upgrade the public spaces, such as the reception area and bar, were completed in the first quarter of 2019.

HOTEL OPERATIONS

	Reported in GBP (£)		Like-for-like in GBP (£)[3]	
	Year ended 31 Dec 2019	Year ended 31 Dec 2018	**Year ended 31 Dec 2019**	Year ended 31 Dec 2018
Total revenue	**£207.4 million**	£195.1 million	**£207.4 million**	£195.1 million
EBITDAR	**£71.0 million**	£66.8 million	**£70.8 million**	£66.8 million
EBITDA	**£70.7 million**	£65.0 million	**£69.2 million**	£65.0 million
Occupancy	**87.7%**	85.7%	**87.7%**	85.7%
Average room rate	**£152.4**	£145.1	**£152.4**	£145.1
RevPAR	**£133.7**	£124.4	**£133.7**	£124.4
Room revenue	**£152.7 million**	£140.2 million	**£152.7 million**	£140.2 million

2 Independent valuation by Savills in 2019, excluding the development sites in Hoxton, London and nearby Waterloo Station.
3 The like-for-like figures for 31 December 2019 are adjusted to remove the effect of IFRS 16.

In addition, a property in Chiswick Park, London was acquired and refurbished in 2019 with the purpose of providing accommodation for team members from 2020. The total investment was £2.9 million.

Development pipeline

The development pipeline in the UK will bring two art'otels to London in the next three years.

In Hoxton London, site works are progressing to develop the Group's fully owned art'otel london hoxton. Improved planning consent has been granted for a property of 27 floors, comprising 343 hotel rooms which includes 60 long-stay apartments and suites, and five floors of office space, as well as restaurants, gym facilities and meetings and events space. The development will house a fully accessible art gallery and luxury VIP cinema (available for corporate events and private hire), which will bring the arts to the local community. Partnership discussions with several artists are underway. Development of the property is expected to complete in 2023.

Development of art'otel london battersea power station by the Battersea Power Station Development Company continues as planned and is expected to complete in 2022. The hotel will be managed by the Group under a long-term management contract.

Holmes Hotel London

Holmes Hotel London

In December 2019, the Group acquired a freehold site in London, close to Park Plaza London Waterloo. The intention is to develop the site into a hotel, subject to satisfactory planning being obtained.

The United Kingdom hotel market*

In 2019, the London hotel market remained strong, driven by higher rates and an increase in demand, despite a 2.1% increase in supply.

RevPAR in the London market increased by 3.7% to £129.14, driven by a 3.6% growth in average daily rate and occupancy remained flat at 83.5%.

The Leeds market growth in the period, with RevPAR up 3.9% to £55.46, was supported by a 2.1% increase in occupancy at 79.4% and a 1.8% increase in average daily room rate to £69.82. In Nottingham, RevPAR was broadly flat at £47.74, reflecting a 1.3% increase in average daily rate to £62.93 and a 1.4% decline in occupancy to 75.9%.

* STR Global, December 2019

THE NETHERLANDS PERFORMANCE

PROPERTY PORTFOLIO

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

Total value of Dutch property portfolio[1]

£297m

Operational performance

In Euros, total revenue increased by 9.8% to €61.4 million. The main contributor to this performance was the continued ramp up in trading of Park Plaza Victoria Amsterdam following the property's extensive £20 million repositioning, which was completed in 2018. This hotel delivered RevPAR ahead of its competitive set in 2019. This improved performance was offset by the repositioning projects undertaken at Park Plaza Vondelpark, Amsterdam and Park Plaza Utrecht, which reduced the room inventory in the first half of the year. Returns on these repositioning projects started to become evident in the second half of the year when both properties were launched. Outside of Amsterdam, RevPAR at Park Plaza Utrecht outperformed its competitive set, driven by average daily rate outperformance.

RevPAR (in Euros) increased by 3.7% to €122.9, achieved through a 3.0% increase in average room rate to €142.6, and a 60 bps increase in occupancy to 86.2%. Room revenue increased by 9.2% to €46.0 million. In Sterling, RevPAR increased by 2.5% to £107.6, with average room rates up 1.8% to £124.8.

Reported EBITDAR and EBITDA increased to €17.2 million, up 6.9% and €17.1 million, up 7.7% respectively. In sterling, EBITDAR increased by 5.7% to £15 million and EBITDA was up 6.5% to £15 million.

Asset management projects

2019 investment projects

Two repositioning projects in the region were completed in the year and the properties were fully operational as of end of October.

The first of these projects was Park Plaza Vondelpark, Amsterdam, which closed completely in July 2018 and underwent a major investment project to reposition the property as a boutique, lifestyle hotel with a new premium look and feel to drive operational performance and the freehold property value.
The repositioning saw all 102 hotel rooms and public areas reconfigured and enhanced. The main entrance to the hotel was relocated from a busy road to the other side of the building so guests now access the property adjacent to Vondelpark itself. The Group's Venetian-inspired destination restaurant, TOZI, was launched, servicing hotel guests and also attracting visitors

HOTEL OPERATIONS

	Reported in GBP[2] (£)		Reported in local currency Euro (€)	
	Year ended 31 Dec 2019	Year ended 31 Dec 2018	**Year ended 31 Dec 2019**	Year ended 31 Dec 2018
Total revenue	**£53.8 million**	£49.6 million	**€61.4 million**	€56.0 million
EBITDAR	**£15.0 million**	£14.2 million	**€17.2 million**	€16.1 million
EBITDA	**£15.0 million**	£14.1 million	**€17.1 million**	€15.9 million
Occupancy	**86.2%**	85.7%	**86.2%**	85.7%
Average room rate	**£124.8**	£122.6	**€142.6**	€138.4
RevPAR	**£107.6**	£105.0	**€122.9**	€118.6
Room revenue	**£40.3 million**	£37.3 million	**€46.0 million**	**€42.1 million**

	Like-for-like GBP[3]		Like-for-like Euro (€)[3]	
	Year ended 31 Dec 2019	Year ended 31 Dec 2018	**Year ended 31 Dec 2019**	Year ended 31 Dec 2018
Total revenue	**£51.9 million**	£48.8 million	**€59.2 million**	€55.1 million
EBITDAR	**£14.9 million**	£14.2 million	**€17.0 million**	€16.0 million
EBITDA	**£14.8 million**	£14.1 million	**€16.9 million**	€15.9 million
Occupancy	**86.9%**	86.0%	**86.9%**	86.0%
Average room rate	**£124.4**	£123.2	**€142.1**	€139.1
RevPAR	**£108.1**	£106.0	**€123.5**	€119.7
Room revenue	**£38.7 million**	£36.7 million	**€44.2 million**	€41.4 million

1 Independent valuation by Savills in 2019.
2 Average exchange rate from Euro to Pound Sterling for the year to December 2019 was 1.14 and for the year to December 2018 was 1.13, representing a 1.2% increase.
3 The like-for-like figures for December 2019 are adjusted to remove the effect of IFRS 16. Furthermore, the like-for-like figures for December 2019 exclude the operation of Park Plaza Vondelpark, Amsterdam from August to December (the property was temporarily closed for renovations during this period in 2018). The like-for-like figures for December 2018 exclude the first three months of operation for Park Plaza Vondelpark, Amsterdam (the property was temporarily closed for renovations during this period in 2019).

to the area as well as those from the local community. The soft opening of the hotel took place in April 2019, and the hotel was relaunched in October alongside the opening of TOZI. Guest feedback has been extremely positive, scoring 8.9 on booking.com. Total investment in repositioning the property was £8 million.

The second property, Park Plaza Utrecht, is in the heart of the business district of Utrecht, the Netherlands's fourth largest city. The hotel was fully reopened to guests in October 2019 following the completion of a £6 million repositioning programme, which commenced in 2018. The majority of rooms were renovated, and new bathrooms installed. In addition, the public facilities were upgraded to include a new restaurant and bar, and a fitness centre, and the conferencing space was modernised to offer ten new meeting rooms and a large private event space for up to 75 guests, all with state of the art facilities.

The Netherlands hotel market*

In contrast to the strong performance for the Group, the wider Dutch hotel market was more challenging in 2019 than in the prior year. In Amsterdam, RevPAR declined by 1.3% to €121.21, mainly due to a 1.6% reduction in average room rate to €148.57, whilst occupancy declined by 0.3% to 81.6%.

Likewise, hotels in Utrecht reported a 1.4% decline in RevPAR to €81.08, as a result of a 2.7% decline in occupancy to 74.6% and a 1.4% increase in average room rate to €108.67.

The Eindhoven hotel market saw RevPAR grow by 1.1% to €52.71, reflecting a 1.5% increase in average room rate to €82.34 and a marginal decline in occupancy of 0.4% to 64.0%.

* STR Global, December 2019

Park Plaza Vondelpark, Amsterdam

TOZI at Park Plaza Vondelpark, Amsterdam

CROATIA PERFORMANCE

PROPERTY PORTFOLIO

The Group's subsidiary, Arena Hospitality Group (Arena), owns and operates a Croatian portfolio of seven hotels, six resorts and eight campsites, all of which are located in Istria, Croatia's most prominent tourist region. Four of Arena's properties in Croatia are Park Plaza branded, one property is marketed under the TUI BLUE brand (part of the TUI Group) as well as Arena Hotels & Apartments and Arena Campsites brands for the remaining Arena properties.

Total value of Croatian property portfolio[1]

£244m

Operational performance

The Group's operations in Croatia delivered year-on-year revenue growth even though the region experienced greater competition from countries such as Greece and Turkey, as well as Egypt, which returned to the Mediterranean market in the period.

The Group's operations are highly seasonal, with almost two thirds of revenue generated in the third quarter of the year. Most properties start to trade from Easter, with activity intensifying and reaching a peak in July and August, before closing from mid-October, ahead of the winter. The first half of the year was marked by lower activity, particularly in the first few months of trading due to extremely rainy and cold weather in the spring.

Reported total revenue increased by 1.9% to £61.1 million. In Croatian Kuna (HRK), reported revenue was up 3.1% to HRK 519.6 million. The most significant contributors to revenue growth were Arena One 99 Glamping and Arena Kažela Campsite.

Arena One 99, our campsite located in southern Istria, continued to ramp up in terms of trading in its second season of operation following the property's transformation to create a 4-star all-glamping resort. The site's premium proposition has been recognised through two accolades from the Croatian Tourist Awards programme for Best Glamping and Best Campsite.

Arena Kažela Campsite opened in July 2019 following completion of the first phase of its repositioning investment project. The performance during the season was encouraging and in line with expectations. The campsite recorded an increase in average daily rate of over 40% and saw revenues increase by more than 30%.

The superior quality of the campsite was recognised when it was announced winner of 'Croatia's Best Campsite 2020' by the Croatian Camping Union. The site was also awarded 4.5 out of 5 stars for 2019 from the ANWB campsite inspectors and it is already being well-received by guests. On Booking.com it has a rating of 9.0 out of 10.0 based on more than 500 reviews.

Elsewhere in the Croatian portfolio the revenue performance was stable, apart from the self-catering apartment resorts, where the number of available rooms was negatively impacted to provide accommodation for employees sourced from outside of the Istrian region.

RevPAR decreased by 0.7% to HRK 487.1, reflecting an average room rate of HRK 772.1 and a 70 bps decrease in occupancy to 63.1%.

OPERATIONS

	Reported in GBP[2] (£)		Reported in local currency HRK	
	Year ended 31 Dec 2019	Year ended 31 Dec 2018	**Year ended 31 Dec 2019**	Year ended 31 Dec 2018
Total revenue	**£61.1 million**	£60.0 million	**HRK 519.6 million**	HRK 503.8 million
EBITDAR	**£19.4 million**	£19.7 million	**HRK 164.4 million**	HRK 165.0 million
EBITDA	**£18.2 million**	£18.6 million	**HRK 154.4 million**	HRK 155.3 million
Occupancy[3]	**63.1%**	62.4%	**63.1%**	62.4%
Average room rate[3]	**£91.1**	£93.9	**HRK 772.1**	HRK 785.8
RevPAR[3]	**£57.5**	£58.6	**HRK 487.1**	HRK 490.4
Room revenue	**£33.5 million**	£34.1 million	**HRK 283.5 million**	HRK 285.1 million

1 Independent valuation by Zagreb nekretnine Ltd in 2019.
2 Average exchange rate from Croatian Kuna to Pound Sterling for the year to December 2019 was 8.47 and for the year to December 2018 was 8.37, representing a 1.2% increase.
3 The average room rate, occupancy and RevPAR statistics include all accommodation units at hotels and self-catering apartment complexes and excludes campsite pitches and mobile homes.

Reported EBITDA was broadly flat at HRK 154.4 million (2018: HRK 155.3 million), with growth in profitability generated by recent repositioning and investment programmes in campsites offset by increased operational costs, particularly related to labour market pressures.

Asset management projects

2019 investment projects

Arena Kažela Campsite, which is located on the southern part of Medulin, is the largest of the Group's campsites and its position on the coast of the Adriatic Sea make it the ideal location for a brand-new style of luxury camping homes. The first phase of Arena Kažela Campsite's multi-million pound investment programme was completed and launched in July 2019, upgrading the site with 164 new, fully equipped premium and family camping homes alongside more than 1,000 spacious pitches. With the aim of providing guests with exceptional facilities which deliver a luxurious experience, the site now also offers guests two new swimming pools, new modern pool bars, an Illy coffee shop and a re-developed reception area. Arena invested £19.0 million in phase one of the programme.

Arena One 99 Glamping

Arena One 99 Glamping

Park Plaza Arena Pula

Acquisition

In April 2019, Arena agreed to acquire the 88 Rooms Hotel in Belgrade, Serbia, for €6 million, subject to certain conditions being fulfilled.

2020 repositioning projects

A further £6 million is being invested at Arena Kažela Campsite ahead of the 2020 summer season. Works began in autumn 2019 and will see further holiday homes replaced, and pitches repositioned to offer guests larger plots in prime seaside positions. In addition, all public areas, including restaurants & bar and the sports centre, will be refurbished and upgraded. When completed, Arena will have invested £25 million transforming the site into a modern 4-star camping resort which will be rebranded Arena Grand Kažela.

A major repositioning of Hotel Brioni is underway. The property, which is located 50 metres from the sea on the western coast of the Punta Verudela peninsula in Croatia, will be transformed into a branded luxury upscale property with 227 rooms. It will offer guests excellent facilities including three swimming pools (an indoor pool, an activity outdoor pool and an infinity outdoor pool), a wellness centre, a gym, kids' playground, a restaurant and bar and conferencing facilities. The total planned investment is approximately £27 million and the property is expected to open for the summer season 2021.

At Verudela Beach self-catering apartment resort, construction works commenced in October 2019 on a further £7 million programme to reposition the remaining 146 units at the resort. The project is expected to complete in time for the 2020 summer season. This programme follows the initial repositioning of ten accommodation units prior to the 2019 summer season. In total, Arena plans to invest £8 million in the resort.

Arnoud Duin
Regional General Manager, Germany & Hungary, Arena Hospitality Group

GERMANY & HUNGARY PERFORMANCE

PROPERTY PORTFOLIO

The Group's portfolio in the region includes four properties in Berlin and one hotel each in Cologne, Nuremberg and Trier in Germany and Budapest in Hungary. Hotels with an ownership interest include: Park Plaza Berlin Kudamm[1], Park Plaza Nuremberg, art'otel berlin mitte[1], art'otel berlin kudamm and art'otel cologne. Park Plaza Wallstreet Berlin Mitte and art'otel budapest operate under operating leases and Park Plaza Trier[1] operates under a franchise agreement.

Total value of German property portfolio[2]

£94m

Operational performance

The region delivered like-for-like revenue and EBITDA growth, driven by an overall strong hotel market in Berlin, which supported growth in the average room rate. There was also a strong year-on-year performance from art'otel cologne, which benefited from a high level of trade fairs and events in the city, and from Park Plaza Nuremberg.

RevPAR at art'otel berlin mitte and Park Plaza Nuremberg outperformed their competitive sets. In Hungary, occupancy, average daily rate and RevPAR at art'otel budapest all outperformed the hotel's competitive set.

On a reported basis, total revenue (in Euros) decreased by 5.0% to €33.7 million and in Sterling reported total revenue decreased by 6.1% to £29.5 million.

Reported EBITDAR was at £9.1 million and like-for-like[4] EBITDAR (in Euros) increased by 6.6% to €10.4 million. Reported EBITDA improved by 66.0% to £8.7 million (2018: £5.2 million), mainly due to reduced rental expenses as a result of IFRS 16 implementation.

Asset management projects

In Hungary, the lease for art'otel budapest was renewed for a further 20 years, effective from 1 January 2019. The Group plans to renovate the public areas, meeting rooms and spa at the hotel and is currently in the design phase for this project, which is expected to start towards the end of 2020 or early 2021.

The Group continues to review further projects and initiatives to drive performance in the region and create further shareholder value.

HOTEL OPERATIONS

	Reported in GBP[3] (£)		Reported in local currency Euro (€)	
	Year ended 31 Dec 2019	Year ended 31 Dec 2018	**Year ended 31 Dec 2019**	Year ended 31 Dec 2018
Total revenue	**£29.5 million**	£31.4 million	**€33.7 million**	€35.5 million
EBITDAR	**£9.1 million**	£9.0 million	**€10.4 million**	€10.2 million
EBITDA	**£8.7 million**	£5.2 million	**€9.9 million**	€5.9 million
Occupancy	**80.7%**	80.7%	**80.7%**	80.7%
Average room rate	**£93.6**	£86.9	**€106.9**	€98.1
RevPAR	**£75.5**	£70.1	**€86.2**	€79.2
Room revenue	**£24.2 million**	£25.1 million	**€27.7 million**	€28.3 million

	Like-for-like[4] in GBP (£)		Like-for-like[4] in local currency Euro (€)	
	Year ended 31 Dec 2019	Year ended 31 Dec 2018	**Year ended 31 Dec 2019**	Year ended 31 Dec 2018
Total revenue	**£29.5 million**	£29.1 million	**€33.7 million**	€32.8 million
EBITDAR	**£9.1 million**	£8.7 million	**€10.4 million**	€9.8 million
EBITDA	**£6.0 million**	£5.7 million	**€6.8 million**	€6.4 million
Occupancy	**80.7%**	80.8%	**80.7%**	80.8%
Average room rate	**£93.6**	£90.3	**€106.9**	€101.9
RevPAR	**£75.5**	£72.9	**€86.2**	€82.3
Room revenue	**£24.2 million**	£23.4 million	**€27.7 million**	€26.4 million

1 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.
2 Independent valuation by Savills in 2019.
3 Average exchange rate from Euro to Pound Sterling for the year to December 2019 was 1.14 and for the year to December 2018 was 1.13, representing a 1.2% increase.
4 The like-for-like figures for December 2019 are adjusted to remove the effect of IFRS 16. The like-for-like figures for December 2018 exclude the operation of art'otel dresden (the lease of which was terminated on 31 July 2018).

The German and Hungarian hotel market*

The hotels in Berlin saw RevPAR increase by 1.4% to €78.88, driven by a 1.5% improvement in occupancy to 79.2% and broadly flat average room rate at €99.53.

In Cologne, 2019 was a strong year for fairs and events in the city and the hotel market reported an increase in RevPAR of 8.5% to €88.58, reflecting an 7.0% increase in average room rate to €118.49 and a 1.4% increase in occupancy to 74.8%.

Hotels in Nuremberg experienced a 4.4% decline in RevPAR to €74.37, with pressure on average room rate resulting in a 3.5% decline in the period and occupancy was down 0.9%.

In Budapest, hotels experienced a good RevPAR growth of 6.3% to €71.53, due to a 7.2% increase in average room rate. Occupancy was down 0.8%.

* STR Global, December 2019

Park Plaza Nuremberg

Park Plaza Nuremberg

MANAGEMENT AND CENTRAL SERVICES PERFORMANCE

Our performance

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

These are predominantly charged within the Group and therefore eliminated upon consolidation. The segment shows a positive EBITDA as management fees that are charged, both internally and externally, exceed the costs in this segment.

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

	Reported in GBP (£)		Like-for-like[1] in GBP (£)	
	Year ended 31 Dec 2019	Year ended 31 Dec 2018	**Year ended 31 Dec 2019**	Year ended 31 Dec 2018
Total revenue before elimination	**£44.3 million**	£42.0 million	**£44.3 million**	£42.0 million
Revenues within the consolidated Group	**£(38.4) million**	£(36.8) million	**£(38.4) million**	£(36.8) million
External and reported revenue	**£5.9 million**	£5.2 million	**£5.9 million**	£5.2 million
EBITDA	**£10.3 million**	£10.3 million	**£9.3 million**	£10.3 million

1 The like-for-like figures for December 2019 are adjusted to remove the effect of IFRS 16.

Park Plaza Vondelpark, Amsterdam

Holmes Hotel London

We are always looking for new ways to create value, which requires regular engagement with our stakeholders to learn what matters to them and being innovative in the way we operate to ensure stakeholder views are integrated into our operations and vision.

STAKEHOLDER ENGAGEMENT

TEAM MEMBERS

GUESTS

INVESTORS

LOCAL COMMUNITIES

AFFILIATES

SUPPLIERS

Holmes Hotel London

These charts identify our key stakeholder groups and sets out how both the Company and the Board engage with them.

Team members

Why they matter to us

Our team members create and deliver our guest experiences, ensuring that guests' expectations are fully met. We continuously invest in training and development to maintain our talent pipeline, and the pool of future leaders that will shape our tomorrow and ensure the continued success of our Company.

Type of engagement

- Elected a Non-Executive Director as the Board representative charged with ensuring active and regular engagement and understanding of team member concerns
- Regular events and town hall meetings
- Refreshed Company Code of Conduct for release in 2020, ensuring Company values are supported and clearly communicated
- Increased opportunities and activities where Non-Executive Directors collaborate directly with team members in formal and informal settings
- Board investing resources into our Responsible Business programme in response to team member support for our Responsible Business efforts
- Annual Engagement Survey completed by more than 3,400 team members
- Developed Company blueprint, our programme to instil the Company purpose into everything we do
- Group-wide series of events to launch the blueprint
- Direct involvement of our team members into design and layout of our new Corporate Office in Amsterdam, creating enthusiasm and collaboration
- Team socials, including lunches, family holiday party, annual team member party, summer socials and more

What matters to them

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

How the Board engages:

With our roots as a family business, workforce engagement and open communication have long been strengths for the Company. The Company genuinely values the voices of its workforce. Engagement between all levels is a necessity to our successful operations, not an afterthought to meet a target.

What has changed over time, in particular, with the adoption of the Code, is our tracking and accounting for our workforce engagement. This year saw a significant development in our accounting of workforce engagement between the Board and the workforce. As per the suggestions of the Code, we appointed a designated director, our Deputy Chairman Kevin McAuliffe, to ensure that the views of the workforce were considered by the Board. In response to workforce feedback, the Board focused on: improving the ease of reading of our culture and Company values policies; expanding our Responsible Business programme to allow increased opportunities to participate in community causes as well as environmental initiatives and assessed the existing workforce remuneration policies against the annual team member engagement survey and industry benchmarks, and enhanced the executive succession planning programme while also utilising the talent pipeline to fill senior leadership positions in the corporate offices and 307 positions within the hotels. For further details on how the views of the workforce have been considered by the Board and Executive Leadership, see page 99 and 100, for details on the expansion of our Responsible Business programme, see pages 83 and 84 on workforce engagement.

Guests

Why they matter to us

We put guests at the heart of everything we do. We strive to delight our guests every day and are passionate about creating and delivering unique hospitality experiences in vibrant destinations, whether guests, are staying at one of our properties or simply visiting our many restaurants, bars or other facilities. We aim to create valuable memories for our guests, because it is a central value of our Company and drives immediate value to our operations in the form of revenue, loyalty, reviews and feedback and increasing brand recognition and brand value.

Type of engagement

- Collection and review of c.50,000 guest surveys, in addition to c.105,000 guest reviews on the main travel and review websites
- New multi-brand website and loyalty and bookings app
- Created dedicated Customer Service team specifically to engage with guests and gather insights on our products and services from guest reviews and posts on social media
- Reviewed our Leadership Training Programme to further integrate our culture of service into everything we do
- Board updates of guest trends and reception of newly repositioned properties
- Real-time feedback from guests through social media
- Engagement through social media contests
- Roll-out new visual identity for Park Plaza® branded hotels, aligning the brand's identity with the successful repositioning programme across our portfolio
- Guests and network engagement to steer the path on new concepts, including organising focus groups consisting of guests to, for example, develop new room concepts
- Further improvements of key guest experiences such as breakfast, executive lounges, premium rooms and accessible rooms, with a view of introducing improved offerings in 2020
- Overnight stays for Board Directors, in multiple properties to engage with team members and guests
- Collaboration discussion with the Board on the results of guest surveys to discuss areas of growth and improvement, in addition to regular Board and Committee meeting discussions where guest feedback is reported and discussed by the Board

What matters to them

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

How the Board engages:

Our ethos is to create unique experiences for our guests by delighting them every day with stylish venues, as well as operational and service excellence. To achieve this ethos, engagement with guests is critical. One highly effective engagement tool is our daily monitoring of online review scores and responding to reviews by adjusting operational actions and replying directly to guests' online reviews. Our operations team review guest feedback weekly, if not daily, during their operational meetings and our Board reviews overall scores and individual hotel scores regularly, especially when considering the operations of the hotels, the success of our repositioning strategy and our overall ability to achieve our purpose as a Company.

The opinion of our guests was a cornerstone during our recent renovation and repositioning projects at three key hotels. Consequently, the Guest Rating Score for Park Plaza Vondelpark went up 6.4 points from 83.7% before reopening in May 2019, to 90.1% following the reopening till the end of 2019. Holmes Hotel London, following the repositioning project, went up 7 points from 85.1% at the beginning of 2019, to 92.1% at the end of the year. Park Plaza Utrecht, which has just started seeing the benefits of renovation, went up 8.2 points from 78.3% at the end of the first half of 2019, to 86.5% for the final quarter of 2019.

Engaging with our guests by listening to and implementing their feedback has led to an increase in our reputation score (as measured using our ReviewPro Guest Rating Score tools) of 0.7 point to 88% in 2019 at the end of 2019. These results show that our effort to incorporate guest feedback into our repositioning programme and our day-to-day service offering have proven successful.

Investors

Why they matter to us

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

Type of engagement

- Investor roadshows
- Annual General Meeting
- Meeting with five largest independent shareholders following the Annual General Meeting to discuss outcomes
- Deputy Chairman meetings with shareholders on request to discuss areas of interest and governance
- Attendance at investor and broker conferences
- Analyst meetings at the half- and full-year results in addition to regular analyst communications throughout the year
- Analyst and investor hotel site visits
- Publishing of Annual Report and Accounts and half year results announcements Stock Exchange announcements and press releases on corporate developments

What matters to them

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

How the Board engages:

In recent years our shareholding has diversified, most notably when the Company achieved the free float required to qualify for the FTSE 250 index inclusion in June 2019. As our share register has evolved, we have and will continue to expand the frequency and ways we proactively engage with our investors. Members of the Board, including the Non-Executive Directors and the Deputy Chairman, meet with major shareholders to discuss and review the progress of the Company and to understand their issues and concerns, as well as to discuss governance and strategy. They are also expected to attend meetings if requested by major shareholders. This increased dialogue with a wider range of shareholders provides richer feedback, from which we can further enhance our transparency, corporate communications and focus on delivering what matters to our investors.

Local Communities

Why they matter to us

We engage with our local communities to understand how we can best make a valuable contribution. We understand that building lasting relationships with our local communities through proactive engagement fosters community growth and attraction to our destinations, increases asset values and builds opportunities for the neighbourhoods we call home, while also strengthening local neighbourhoods' resilience, which mitigates risks.

Type of engagement

- Provide event space without charge for certain community events, including space for local graduations for Oasis, an NHS service providing mental health support for young people
- Support of local Business Improvement Districts ('BIDs') ensuring investment to attract visitors, improve local areas and understand community members
- Holding local job fairs, giving positive preference to local candidates: a recent job fair in December 2019 for our Lambeth properties created 81 offers of employment on the day
- Engagement in local business associations, including holding Board level membership seats, and ensuring the Company stays aware and supportive of local residents, initiatives and supports local regeneration and attraction of visitors
- Engage in hotel trade associations in all of our operating regions
- Work with local suppliers, such as the many local Dutch and Croatian food producers whose items are integrated and highlighted on menus in both regions

What matters to them

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

How the Board engages:

We remain very active in local business associations across the communities where we operate. Time and support on groups such as London's Southbank Forum allow us opportunities to collaboratively engage with community business members throughout the year and hear from local residents on how we can add value to the local community by helping to build communities that benefit residents and businesses alike. We participate in all local BIDs in the UK where our hotels are in a designated BID area. To ensure we operate in a manner that is respectful to local residents, where deemed necessary all of our hotels have security personnel posted at the entrance of the hotel and patrolling around the area. In support of local culture, our concierges promote local attractions and artists, such as the Leake Street Arches in Lambeth, London, where street art is welcomed and showcase local art in our gallery space at the art'otel amsterdam which is accessible to visitors and guests to view. Our Responsible Business programme has been recently enhanced, at the direction of our Board of Directors, to take a greater focus on our community activities, ensuring that team members have an outlet to give back to their local communities through their work and that we as a Company support the communities which we call home.

For more on our Communities Engagement, see our Our Places section of the Responsible Business on page 86

Affiliates

Why they matter to us

We have an exclusive and perpetual licence with Radisson Hotel Group to operate its upper upscale Park Plaza brand in Europe, the Middle East and Africa, which complements our upper upscale lifestyle brand art'otel (which is also marketed through the Radisson Hotel Group). In Croatia, some of our properties utilise the locally targeted Arena Campsites and Arena Hotels & Apartments brands. Ensuring we fully utilise the benefits of the Park Plaza perpetual licence, we work closely with Radisson Hotel Group. Key benefits derived from this strategic partnership include brand recognition, technology infrastructure such as the central reservations system, websites and apps, as well as global buying power and the Radisson Rewards™ loyalty programme. Maintaining our mutually supportive and collaborative relationship supports our long-term strategy and stability as a business.

Type of engagement

- Introduced, with Radisson Hotel Group, new brand standards for operational Park Plaza properties and technical standards for new properties, ensuring consistency of service and product for existing and future branded hotels
- Supporting Radisson Hotel Group Responsible Business initiatives including Radisson's Community Action Month and Carbon Neutral meetings; in addition we have our own 'Save Tomorrow, Today' programme and Go Green (in our UK hotels)
- Close and active collaboration with Radisson Hotel Group to launch new multi-brand website and Radisson Rewards™ and bookings app, providing guests with easy to use booking platforms
- Radisson Rewards™ partnership with WeHotel (the loyalty programme of Jin Jiang, Radisson Hotel Group's new owner)

What matters to them

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

How the Board engages:

Ensuring that we have a mutually beneficial and fair relationship that allows both companies to succeed and grow our respective businesses is the primary driver of the relationship. We work together on matters that involve changes to the Park Plaza brand and technical standards and republished both manuals this year. Both parties support the art'otel brand, which is owned by PPHE Hotel Group and allow guests to earn and redeem Radisson Rewards™ at art'otel properties and book rooms through the Radisson website. Collaboration continues to prove valuable to the prospects and success of both companies.

Suppliers

Why they matter to us

Ensuring that we create close, collaborative and mutually beneficial relationships with key suppliers helps us to streamline processes, provide consistent standards across our properties, decrease unnecessary packaging, consolidate deliveries, better estimate overhead costs, mitigate risks of interruptions in the supply chain and increase savings in our purchasing.

Type of engagement

- Our Board, Executive Leadership and management teams were able to sample a variety of our key guest products and partake in a food and beverage tasting of our UK food and beverage offering as part of our leadership summit in January 2019
- A comprehensive strategic review was carried out on our purchasing programme to increase efficiencies, decrease deliveries to support a reduction in traffic and wasted packaging and delivery costs, and maintain favourable quality, pricing and efficiencies
- Introduction of new Responsible Sourcing Policy, rolled out into our goods and services contracts in 2019
- Enhanced transparency in our communications with suppliers, contractors and partners by publishing our 2019 Modern Slavery Statement and Responsible Sourcing Policy

What matters to them

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

How the Board engages:

We are keen to partner and collaborate with the best suppliers who can provide us with the products that both meet our brand standards and enhance our guest experience, while offering us competitive and fair sales terms. Our Board discussion on suppliers and products is enhanced by their time spent staying in our properties and engaging in our business from the guest perspective. We know stability and a mutually beneficial relationship with our suppliers will mitigate risks to our supply chain.

Creating a day where our Board, alongside all levels of management, were invited to sample a full range of food and beverage, and hear from our suppliers directly, created the opportunity for our Board to engage first-hand with the guest experience aspect of our curation and supplier selection process. This hands-on knowledge proves invaluable in helping all levels of management to better understand our sourcing, range of offerings and the guest-minded criteria that goes into sourcing and selecting our products.

It is important that all procurement decisions ensure that our properties get the goods and services they need to operate effectively, and on mutually beneficial terms, while ensuring that robust due diligence has been performed to ensure that any social and environmental issues are properly understood and addressed.

Across the Group, we review the way our procurement system operates and the impact we can make to reduce waste and the environmental impact of supplying our operations has on our local communities. During tendering, we consider the impact of products and how they are delivered. This includes 'hidden packaging', the packaging in which the products arrive, to ensure that packaging waste can be returned to the supplier, and packaging that we do use is limited to re-useable, recyclable or biodegradable waste only. We encourage all of our hotels to reduce the amount of waste they produce on site and this is achieved in many different ways.

In 2019, we undertook a Group-wide procurement review, changing the way we purchase all of our food and non-food products. We are nearing the final stages of tendering and aim to launch in 2020. The new system will target opportunities to reduce our waste and carbon footprint by consolidating supply chains as well as building in options to review food miles, purchase seasonal produce and ethical animal products.

In line with our Responsible and Ethical Sourcing Policy, our Responsible Sourcing Policy how we expect all our strategic partners and business suppliers to comply with all relevant legislation in the countries where we operate or in those countries where goods or services are sourced.

We see our implementation of a supply chain risk assessment and suppliers' due diligence process as key growth areas for 2020.

RESPONSIBLE BUSINESS

PEOPLE

PLACES

PLANET

DOING BUSINESS RESPONSIBLY

"Our aim is to embed Code compliant governance that positively impacts our sustainability."

KEVIN MCAULIFFE,
NON-EXECUTIVE DEPUTY CHAIRMAN

Creating value: Our people, Our places and Our planet

Operating with an understanding of how intangible sources of value are developed, nurtured and sustained is increasingly relevant to our performance and impact on the world around us. As a business, our intangible sources of value include **our people:** our team, our guests and the identity of our brand to them, our stakeholders and the relationships we have with each; **our places:** our properties and the communities that our properties call home and **our planet** which provides for our every need.

These assets are critical to our long-term growth and development as well as to our impact on the world around us.

Our Responsible Business programme, charts the path to our investment in our people, places and planet.

We as a Company continue, with each year, to improve our focus and reach of our investment into our people, places and planet and have spent much of our 2019 focus on building our Responsible Business growth plan for 2020 and beyond. This report addresses who we are, a review of our 2019 activities and a summary of our approach to the next phase of our journey.

Our values

A sound understanding of our Company values is at the centre of ensuring our team members are engaged and equipped to steer us toward achieving our objectives.

The framework for these values is set by our Board, while the day-to-day integration of our values sits with our Executive Leadership Team.

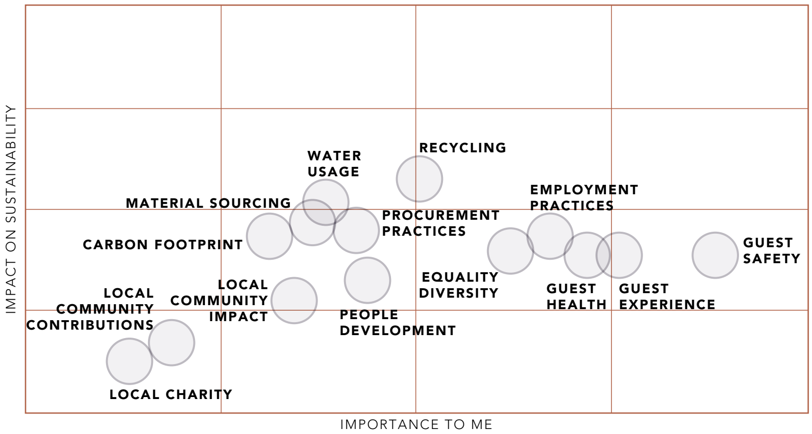
Our Board and leadership culture is to foster an environment of: trust, respect, teamwork, enthusiasm, commitment and care. In turn, our team members are supported and encouraged to work responsibly and to act with integrity, transparency and accountability. These values ensure our approach to Responsible Business remains relevant in our day-to-day operations.

Our Responsible Business Programme

Our Responsible Business programme has been embraced by the team members that drive our operations at all levels. This organic growth has guided energetic and exciting change in our identity as an employer and fostered a belief that with a more focused approach we can create the powerful change for our communities. In recognition of our team members' support for a robust and focused Responsible Business programme, our Executive Leadership Team with the support of our Board, encouraged the formal structuring of a team to lead our sustainability, governance, compliance and company ethics activities.

For more on this see our Places Section on page 86

DOING BUSINESS RESPONSIBLY



A REVIEW OF 2019

Cross-industry efforts

As with 2018, we continued to support the International Tourism Partnership (ITP), UKHospitality, and Koninklijke Horeca Nederland. We welcome the opportunity these memberships bring for furthering our learning, allowing us to attend stakeholder member meetings, share knowledge and support industry initiatives relating to sustainability, human rights and well-being initiatives. These alliances are particularly helpful to ensure we can make a positive contribution to wider societal issues such as modern slavery, human rights and climate change. Together with others in the hospitality and real estate fields, collaboration can lead to change.

Understanding the views of our stakeholders

The Company undertook a comprehensive survey of our stakeholders to identify the most important social, environmental and well-being issues to them. This materiality assessment asked what our key stakeholders viewed as important to them and what was most impactful on global sustainability. This assessment surveyed more than 4,000 guests, team members and partners. The outcome was then reviewed in consideration of the International Tourism Partnership industry-wide mapping analysis of social, ethical and environmental matters to form a scatterplot of key issues which our Responsible Business programme considered as primary focus areas for 2019. See the materiality assessment scatterplot (above). This materiality assessment continues to guide our specific initiatives which we now identify in terms of the UN Sustainability Goals below.

SUSTAINABLE DEVELOPMENT GOALS

We have restructured our Responsible Business programme to align our effort and activities with the UN Sustainable Development Goals (SDGs). Whilst we were able to relate our activities to most of the 17 SDGs, there were five in particular which were most closely aligned with our purpose and values. These five goals have been reviewed and approved by our Board.

OUR PEOPLE

OUR GOALS:

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

SUSTAINABLE DEVELOPMENT GOALS:

We are proud to have been recognised for our work in learning and development:

TALENT DEVELOPMENT TEAM OF THE YEAR 2019
Institute of Hospitality Awards 2019

EXCELLENCE IN PROMOTING CAREERS AWARD
HR in Hospitality Awards 2019

BEST HOUSEKEEPING TEAM INITIATIVE
Springboard Awards for Excellence 2019

Our People

Our team: ensuring our team members are engaged and feel valued; where our culture which fosters honesty, integrity, accountability; with every team member having access to opportunities for growth and long-term career progression.

Our guests: ensuring our guests are offered a service that lends itself to creating valuable memories, instilling a brand identity around guests feeling welcome, valued and positively surprised and where they love the energy, providing safe and secure properties and services that offer opportunities for health & well-being and welcome families, meeting delegates and guests staying with us for business or leisure purposes alike.

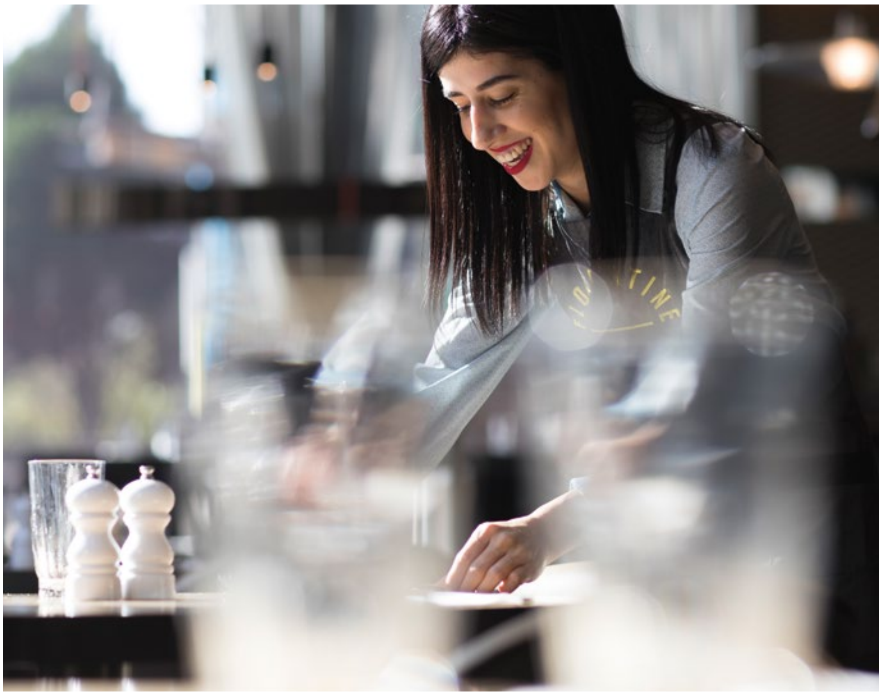
Our stakeholders: ensuring well nurtured relationships with our key stakeholders that emphasise fair and mutually beneficial terms.

The Group employs a diverse workforce across the UK, the Netherlands, Germany, Hungary and Croatia, and we are committed to creating a great place to work for all 4,700 of our team members.

As an international organisation, we are proud that we have team members from over 50 different nationalities. With such a diverse workforce, it is important that the Group has a strong unifying company culture and leadership that inspires our team members to share our passion to perform. For more information on diversity, see our governance section on page 102.

Our ethos is that with the right attitude, anyone can succeed, and therefore when we recruit we look for individuals who reflect our team member behaviour. Our blueprint 'We Are Creators' supports us to effectively recruit team members and build links with the education sector, local authorities and charities.

One way in which we do this is through our PPHE Career Festivals and Hospitality Showcases, held throughout the year in the UK and the Netherlands. The purpose of these events is to reach out to our local community and partners, as well as filling entry level and managerial roles in key areas of the business. In 2019, 170 people were hired on the day at our Careers Festivals.



OUR PEOPLE CONTINUED

All new team members attend our mandatory 'Feeling Welcome' induction programme, ensuring that new starters understand our culture, values and their role in delivering inspirational guest experiences. We then develop our team members personally and professionally by providing them with skills, knowledge and the opportunity to grow. We take this seriously and have worked hard to put together award-winning talent and learning programmes.

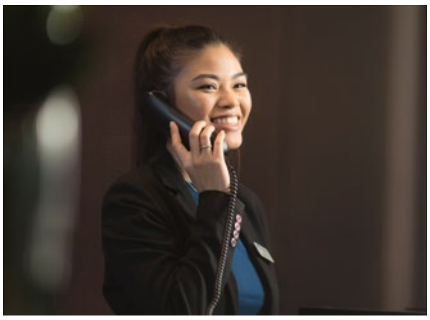
Developing talent

Our team members are critical to the success of our business. Recruiting and inspiring talent is vital for our business's continued success, as well as the personal success of each of our team members. As such, supporting and encouraging team members to develop and grow their careers within the business is a priority for us.

PPHE Apprenticeship Academy

With talent development and opportunities for long term careers as a key focus for the Group, we created PPHE Apprenticeship Academy the UK, designed in partnership with a number of apprenticeships providers.

We identified opportunities for current teams and prospective new talent to further advance their professional development through an Apprenticeship Academy in the UK, focusing on key critical areas of the business: Chefs, Maintenance, HR, Housekeeping, Finance and Hospitality Management. During 2019, 22 apprentices successfully completed the programmes and all of them remain employed by PPHE in the UK. We have had 98 apprentices in the business since launching our Academy, 45 of which onboarded in 2019 and will continue to recruit in 2020.



In Croatia, Arena Hospitality Group continues to offer scholarships to high school students from the School of Tourism, Catering and Trade. The team members train, guest lecture and mentor students, including adults seeking qualifications, and give practical, on the job training for approximately 55 students annually studying to be chefs, waiters, pastry chefs and receptionists. We are also working closely with the Agency for Rural Development of Istria to provide cooking workshops during spring and autumn term.

you:niversityplus

In 2019 we redesigned our award winning you:niversityplus Student Placement Programme to support the development of young, new leadership talent within the hospitality industry. We have created what we believe to be the most progressive student placement programme within the hospitality industry, in accordance with the Springboard INSPIRE kite mark. In 2019, 24 participants in the UK and the Netherlands completed the programme successfully and a further 34 have enrolled for our next cycle of training in 2020.

you:niversitynext

you:niversitynext is our fast track 24-month management development programme designed to create managers for the future. The bespoke programme has been crafted into a learning curriculum specifically designed to support our graduate's development, implemented on a rotational basis across a number of operational departments and support functions in carefully chosen hotels.

The programme was first piloted in the UK in 2017, and with continued success, was rolled out to the Netherlands team in 2018. This year, we continued to grow the programme. At the end of the two-year programme, positions are offered to all participants. With this in mind, our entry numbers are deliberately low, but increasing year-on-year.

2017 intake – four graduates in the UK

2018 intake – five graduates in the UK and two in the Netherlands

2019 intake – six graduates in the UK and four in the Netherlands

2020 intake – seven graduates in the UK and four in the Netherlands

In Croatia, we have collaborated with a local university, offering our expertise as guest lecturers and sponsoring a student scholarship. Our first student will soon be employed under a one-year contract and offered training in order to prepare her to be a future leader.

See page 106 for more on our whistleblowing hotline.

Health of our team members

Embedding a long-term and positive culture to mental and physical health across the organisation is important to us. We want to promote a mentally healthy environment, stopping preventable issues and allowing people to thrive and become more productive.

We are expanding the role we play in making health and wellbeing accessible for our team members. Within the UK region, team members have volunteered for Mental Health First Aiders training with 34 taking part in the training in 2019. We encourage all of our team members to take part in internal events to promote health and well-being. In 2019, teams across the UK took part in World Mental Health Day and Mental Health Awareness Week. Team members participated in yoga sessions, and held activities that opened up conversations around well-being, confidence and mental health.

Healthy options for our guests

As a Company we have a part to play to offer our guests attractive healthy options when they are away from home, whether it's healthier eating or access to a space for exercise.

At **Carsten's**, in Amsterdam, our concept chef has been undertaking 'know what you eat' workshops to raise awareness to children of what they are eating and where their food comes from. Since August, we have undertaken three workshops in which over 60 children have participated.

At **106 Baker Street** in London we are proud to have received the 'Healthier Catering Commitment' for London Gold Award from the City of Westminster.

At **Primo bar** in Park Plaza Westminster Bridge London, following a successful trial, the team has now added low alcohol drinks options.

As well as the quality of our foods, we are also focusing on providing sustainable offerings. Park Plaza County Hall London, recently piloted a meat free lunch with their Meeting and Event guests, which was well received and will be included in the new 2020 menus.

We continue to innovate on how we can introduce healthy, well-balanced items on our menus in ways that delight and inspire our guests. Simple gestures like providing local running and cycling routes, offering bike rentals in many of our Dutch hotels and increasing our offering of fruit and fresh juice based drinks across our properties has been well received by guests. We intend to build on these simple successes to create a more balanced offering to guests that offers healthy options in an enjoyable and exciting way.

Park Plaza Vondelpark, Amsterdam

Safety and security

The safety, security and wellbeing of our guests and team members remains our priority at all times. As a priority, it is embedded into our culture and business practices, this being top tier led and team member driven.

All of our UK hotels inspected by Local Food Standards Authorities have been awarded a 5 Star score rating.

All hotels and properties in the UK, the Netherlands, Hungary and Germany have in place a Crisis Plan with specific planning and contingency arrangements included. The plan is tested both internally and externally and taught to all hotel management and Heads of Department on a regular basis, in order to ensure that all are fully aware and competent in their role and responsibilities in the event of any crisis incident in the property or near vicinity.

Each hotel has rigorous safety measures in place including emergency evacuation plans. Measures include sprinkler systems, smoke detectors, CCTV, team training and refresher training as well as ongoing full hotel evacuation training.

We take the privacy of our guests seriously. We take the most stringent actions to ensure we maintain quality date privacy standards without compromising our service levels. To do so, the Company undertakes regular audits and tests of compliance processes. We have a system in place to identify when we deviate from the prescribed procedures of processing data, either by using technology or by self-reporting to one of our hotlines.

Improving guest experience and building for the future

Our real estate programme provides a unique opportunity to incorporate sustainable business elements and to build in the attributes that reflect guest feedback, social and enviornmental considerations and modernise our offering to guests.

At our recent Park Plaza Vondelpark, Amsterdam repositioning, we aimed to bring the outside in to promote guest and team well-being, which included 300m^2 of plants, trees and flowers inside the hotel.

In 2019, we invested £190,000 in additional energy efficient technology to improve the running of our hotels.

OUR PLACES

OUR GOALS:

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

SUSTAINABLE DEVELOPMENT GOALS:

2019: Engaging and supporting the local communities that our properties call home.

The Group is committed to supporting and making a positive contribution to the communities in which we develop, own and operate hotels, resorts and campsites, restaurants, bars and spas.

As well as supporting central corporate charities, each of our hotels operates its own unique community activities throughout the year. They do this in a number of ways including fundraising, volunteering and in-kind giving.

At a hotel level, we support a variety of charities in our local communities. This includes helping disadvantaged children and their families, elderly people, homelessness, and promoting arts and culture.

Although our combined activities continue to make positive local level impacts, we have identified a need for better reporting of our inputs, outputs and impacts. In 2020, we have committed to developing a strategic community plan aligning to our core business purpose. In the fourth quarter of 2019 we also signed up to the London Benchmarking Group in order to effectively report on our community activities in 2020.

"I grew up in South London and did what most guys my age do, got into trouble, didn't fulfil my potential and missed opportunities. I was quite immature and carefree with my lifestyle and attitude, which led me into serious trouble. Park Plaza Hotels looked past my circumstances and saw my potential and enthusiasm and gave me a chance. For that I'm really grateful for. I had been in contact with Lambeth Working, who supported me to get back into work and find a company who would give me a chance"

MICHAEL
CHEF APPRENTICE

Working in our local communities

2019 Review

Employing team members who live near our properties is not only good business sense, but supports our objective to be part of our local communities. In 2019, we worked with over 60 local partners, including charities, community groups and social enterprises.

Not only are we committed to providing work opportunities for our local communities, we are also an advocate for empowering everyone, no matter what their background, to reach their full potential. We aim to support disadvantage and underprivileged people into careers. In 2019, we continued to work with charities and organisations to support people back into work.

This year in the UK we recruited five team members from The Clink and six team members from Action on Disability. We also support and employ team members through The Passage, Galvin's Chance, the Prince's Trust, Springboard and House of St Barnabas. In Croatia, we continued our partnership with the EduTurizam project together with the Institute for Labour Market Development to provide hospitality skills for unemployed individuals.

Local food and culture

Local gastronomy is an important part of the culture, heritage, and customs of our destinations. Not only is cuisine an increasingly important motive for travel, but also a key element in evaluating the overall experience and guest's satisfaction.

In Croatia, Arena Hospitality Group has created a programme called 'days of local cuisine', which enables our guests to enjoy traditional Croatian dishes and experience national costume, as well as promote local cultural and artistic organisations through the procurement of local food and crafts.

The quality and offering of food we serve to our customers is important and many of our restaurants source local produce direct from markets, and menus are being developed to give more choice to vegans, vegetarians and other diets. Where we have roof space, some of our hotels have taken to growing their own – producing fresh herbs, spices and vegetables. Park Plaza London Waterloo, has welcomed 150,000 bees onto their roof, and their honey is now a key ingredient in our menus.

This year, we launched Carsten's Restaurant at Park Plaza Victoria Amsterdam with Dutch celebrity chef Maik Kuijpers. The concept of the restaurant is on local quality, appreciating seasonal menus and the quality of the local food heritage and culture with the ethos that food is at its best from around the corner.

2019 Communities initiatives led by our hotel teams

As part of our 2019 Communities programme, we asked our team members to chart our path by selecting local causes and activities to support their causes. A selection of our team members' initiatives within our local communities are set out on page 87.

Our 2020 Communities programme

To ensure we invest clearly and with purpose, the Company expanded our Responsible Business team this year. An in-house team was created, consisting of at least one team member from all leadership levels within the Company.

The team's progress will be reported to the Board, with individual Directors making themselves available to advise and take an active role in our Responsible Business initiatives. To implement our Responsible Business initiatives, the Company further pledged the funding for each property across all five regions, to appoint a Responsible Business Ambassador from within the workforce, who will spend a set number of hours per month reviewing local communities activities, arranging for opportunities to engage and support local causes and keep record of the hotel's efforts.

The formal structuring of the team has allowed the Company to manage consistency and efficiency in embedding its core values and improve the overall reporting of our responsible business activities across our portfolio.

Art in our communities

Sharing art is a simple way for us to welcome people into our property and make art accessible to all. In 2019, we continued our tradition of displaying art in public areas across our hotels with the creation of the Verudela Art Park in Pula.

The new park behind Ambrela Beach in was designed by local architects, who created a base for an installation of the ambient sculptures. The sculptural installations, underline the idea of mobility and travel, as well as clouds as synonyms and symbols of modern tourism. Seven local artists were selected for the realisation of this demanding and valuable project and the project debuted in June 2019.

The planning of the art park ensured a pedestrian approach from all directions to provide free and welcoming access. Names of the world oceans and seas will be printed along the cor-ten steel line which exists at the highest elevation of the park, as symbols of the location, but also the theme of the park – travels.

The 2020 aim is to focus the energetic support of our team members in their local communities initiatives and structure our efforts across the Responsible Business programme to ensure our values are embedded across our business.

Team members from across the Group also organised fundraising activities to celebrate the month which raised €6,000 for the World Childhood Foundation.

HRK 75,000 WAS DONATED TO THE GENERAL HOSPITAL IN PULA

PARK PLAZA BERLIN KUDDAM PREPARED 70 (HEALTHY) CHILDREN'S LUNCH BOXES

CLOTHING DONATIONS

PARK PLAZA VICTORIA AMSTERDAM SUPPORTS YOUNG DESIGNERS (LICHTING, AMSTERDAM FASHION WEEK & HTNK)

ARENA HOSPITALITY GROUP WITH UNICEF PROGRAMME 'FOR A STRONGER FAMILY' HELPS TO ENSURE BETTER LIVING CONDITIONS AND A BETTER FUTURE FOR VULNERABLE CHILDREN.

SUPPORTING NOTTINGHAM CHILDREN'S HOSPITAL

BAKE & CAKE SALES

YEARLY UPGRADE OF THE GARDEN AT ELDERLY HOME VONDELSTEDE

PARK PLAZA AMSTERDAM AIRPORT DONATING 30 LITRES OF FRESHLY MADE SOUP TO ITS SOUPBUS IN AMSTERDAM

PARK PLAZA LONDON WATERLOO 'WRAP UP LONDON' DONATE COATS AND DRESSING GOWNS TO OUR LOCAL CHARITY

PARK PLAZA UTRECHT SUPPORTING THE HOMELESS WITH DONATIONS OF FURNITURE AND BED LINEN

HOTEL FOR BEES

Bees play a critical role in healthy ecosystems and through their pollination, they are essential for food production. Sadly in recent years, changes in our environment have meant that bees are significantly declining in numbers.

This year, Park Plaza London Waterloo partnered with Dr. Luke Dixon – an expert in rooftop beekeeping and a member of the British Beekeepers Association – to create a safe haven atop its fourth floor, giving the bees an opportunity to form colonies and produce local honey, leaving the bees with ample honey to thrive. London's mild climate and wide range of food has provided a welcome environment and our rooftop is now home to 150,000 honey bees.

Fresh honey collected is used in the menu of our all day dining restaurant, Florentine, where 10% of the sales go to the Bee Friendly Trust charity.

OUR PLANET

OUR GOALS:

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

SUSTAINABLE DEVELOPMENT GOALS:

6 CLEAN WATER AND SANITATION
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

UK, Netherlands and Germany kWh & tCO_2e

Emission Type	Current Reporting Year 2019 (kWh)	Current Reporting Year 2019 (tCO_2e)	Comparison Reporting Year 2018 (kWh)	Comparison Reporting Year 2018 (tCO_2e)
Scope 1 (Gas)	33,651,402	6,187	34,122,450	6,277
Scope 1 (Transport)	152,427	37	154,164	38
Scope 2 (Electricity)	38,056,460	9,727	37,103,110	10,503
Total	71,860,288	15,951	71,379,724	16,818

2019: Investing in the wider climate and doing more to ensure we protect the planet which sources our every supply.

The sustainability of our operations is externally certified and our hotels in the UK and the Netherlands are certified under Green Key, Green Globe, Green Tourism and Travellife memberships. All of these certifications are recognised by the Global Sustainable Tourism Council (GSTC).

Waste reduction

We have committed to accelerate our waste reduction efforts. In 2019, we formed a Waste Strategy Steering Group to identify key priorities and to make holistic and faster decisions to reduce our waste.

Across the Group, we are changing the way our procurement system operates and this will have a huge impact on the waste reduction of our operations. In 2019, we undertook a Group-wide procurement review, the results of which will target opportunities to reduce our waste, including hidden packaging, and reduce our carbon footprint by consolidating supply chains and considering food miles, purchasing seasonal produce and ethical animal products.

Wherever possible we try to limit our waste and in 2019, following a rebrand of our linen in the UK, all useable linen, including 775 sheets, 890 duvets, 1,920 bath sheets, 870 hand towels and 625 pillow cases, was donated to eight local charities. Items that were not useable were recycled.

Whilst we are reviewing our single-use plastics use, we have undertaken a successful trial with Clean Conscience, a UK charity that re-purposes and redistributes waste toiletries and linen to those most in need. We have already implemented this programme in two of our hotels, and have committed for all of our managed UK hotels to join this programme in 2020.

Energy and emissions

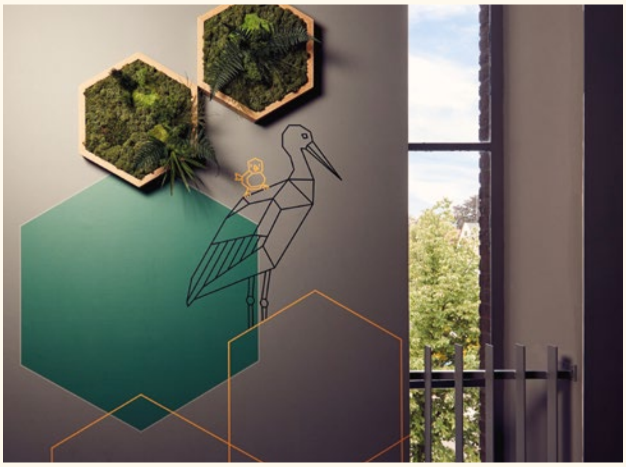
Most of our energy consumption comes from the heating and cooling of our hotels. It is important for us to monitor our energy consumption through our online energy-monitoring system in order to identify areas for short- and long-term improvement, as well as maximise energy efficiency through our control systems.

We continually invest in technology to reduce our carbon footprint, whether it's automatic control systems and occupancy sensors that go into energy-saving mode when a guest leaves their room, or electric vehicle charging stations in our car parks. In 2019, PPHE installed 'Green Point', an energy efficient room control system, into 1,600 rooms in the UK and 300 rooms in the Netherlands in order to further improve the energy efficiency in our hotels.

One of our key successes is our 'Save tomorrow, today' programme, where we actively engage our guests in reducing their impact on the environment through the reduction of water, electricity and cleaning materials used in our properties.

In the second quarter of 2019, we introduced carbon neutral meetings and event spaces for our guests. With Radisson, we are working with First Climate, one of the largest carbon offsetting organisations in the world, to offset our carbon footprint for every meeting space. This is a service that is totally free to our meeting space customers. For every meeting or event held at Park Plaza hotel or art'otel, the carbon footprint of the meeting space and services is offset. In the past eight months, we have offset 780 tons of CO_2. All offset projects are VCS or Gold Standard certified.

The table above summarises our kWh and tCO_2e for our properties in the UK, the Netherlands and Germany. The figures are calculated based on all the sites' gas and power usage along with the car fleet/grey fleet mileage (employees claiming miles) using the government approved CO_2 emission factors. The data shows an increase in kWh but reduction of CO_2 for electricity between 2018 and 2019 which is due to a decrease in the carbon emission factor from using more renewable sources of generation.



HOTEL WITH A GARDEN

With our recent Park Plaza Vondelpark, Amsterdam repositioning we aimed to incorporate nature in the hotel to promote guest and team wellbeing, create a destination for local community and encourage wildlife. Working with an independent landscape designer local to Amsterdam, we created a 300m² garden with a pond. We also brought many flowers and plants inside as part of the interior. The garden provides a good shelter for animals and insects and the pond is an ecological system with its own biodiversity of plants, animals and insects. From the very beginning, the project had the local flora and fauna in mind.

The trees, shrubs, plants and bushes chosen were a combination of both cultivated and native to the region. The eco balance was carefully thought through so the garden would not need regular maintenance with the flora existing in harmony. Thus the nature is left to her own devices with minimal human intrusion and minimal disturbance to the wildlife.

A big percentage of the garden at Park Plaza Vondelpark, is also used as plant borders. The borders have a high density of plants, preventing the ground from drying out quickly acting as a natural water management system for dry summers.

Water conservation

In 2019, we continued to invest in water efficient technology and encouraged guests to consider the environment and save water through our towel and linen reuse programme. We have also committed to installing water-softening systems in our hotel rooms with the purpose of reducing lime scale, decreasing the use of cleaning chemicals into the water system, and improving the quality of water.

In order to improve water conservation, we have committed to install a remote water monitoring system in all of our UK hotels in 2020. The meters will provide real-time water consumption data directly to our online monitoring tool and will allow us to monitor our usage and report our progress in the future.

We care about the world around us and have taken measures to protect our beaches and oceans. Arena Hospitality Group was recently awarded a Blue Flag Gold plaque for 15 years of ongoing activities to promote sustainability in the tourism sector, through environmental education, environmental protection and other sustainable development practices.

Planning and building

During the planning and contracting phase of our art'otel london hoxton we have considered the sustainability of our buildings from the start, targeting for BREEAM assessment 'excellent'.

Our recent refurbishments are built with the latest water and energy efficient fittings and a robust design that ensures our assets are built to last. Where appropriate, we source responsible and low environmental impact materials, upcycling or donating to charity or local community group, and reducing our waste.

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

BORIS IVESHA
PRESIDENT &
CHIEF EXECUTIVE OFFICER

THE VALUE OF HIGH STANDARDS

IN THE GOVERNANCE SECTION

Kevin McAuliffe
Non-Executive Deputy Chairman

Corporate Governance

As Deputy Chairman, it is with pleasure that I present our 2019 corporate governance statement. 2019 has been an exciting year in our journey as a Company for many reasons, not the least of which is our elevation into the FTSE 250 index from June 2019. As with most companies across the FTSE, the most significant corporate governance development of the year was the application of the 2018 UK Corporate Governance Code (the '2018 Code'). The 2018 Code is a distinct departure from previous versions of the corporate governance code. As a Board, and a Company, our governance focus has been on assessing and implementing meaningful and tailored governance controls and wider stakeholder engagement which support openness and accountability in delivering the long-term sustainable success of the Company and is in keeping with the principles set out by the 2018 Code.

Our Board provides the Company with entrepreneurial leadership within a framework of prudent and effective controls which enables risk to be assessed and managed. It is our role, collectively as a Board, to set the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives, review management performance; set the Company's values and standards and ensure that its obligations to its stakeholders are understood and met.

This corporate governance statement sets out how we applied the principles of the 2018 Code in 2019 and, where we have not complied with provisions of the 2018 Code, explains the reason for the divergence and how we aim to address any divergence in the future.

Sustainability, climate and developing our future

As an element of our governance strategy for 2019, we focused on aligning our environment, internally and externally, to support the long-term stability of the Company while appreciating how we as a Company impact the world around us.

Assessing our climate and impact on the world around us, be it our operational ecosystem and cultural atmosphere or the environmental footprint of our operations, was and will continue to be an area of focus for our Board. Creating a Code compliant governance structure is part of our governance strategy. Our greater aim is to embed Code compliant governance that positively impacts our climate and sustainability.

You will see in both this section of the report and the Responsible Business section (pages 80 to 89), where we have progressed in monitoring and communicating our values and culture as a Company page 110, our expansion of our Responsible Business programme at the direction of our workforce and with the full support of the Board page 104, and how we are working to fully integrate our values, stakeholder engagement and strategy through the lens of sustainability.

As a central element of our governance strategy, we have focused this year on corporate culture, including the drafting of a comprehensive "Code of Conduct", engaging with team members in an active and purpose-driven manner and refreshing our anti-bribery, anti-slavery and human rights policies together with enhancing our stakeholder engagement. The continuation of this journey is undoubtedly a key focus of 2020 as we continue our story as a Company, focusing on incorporating governance that accounts for our climate without losing sight of our strategic visions, values and purpose as a Company.

For more on our Code of Conduct see page 107.

Our governance journey

In this report you will see references to: our existing governance from 2018 alongside the progress of the key areas where 2019 saw the implementation of new processes in alignment with the principles of the 2018 Code and a signpost of our intentions/plans as part of our evolving governance journey. For example, in our Ethics & Compliance section (pages 106 to 107), you will see how we revisited and strengthened many of our ethical dealing policies in 2019 and our plans to engage with the workforce to ensure that these policies are consistently followed and understood by all as part of our value system and culture.

With the introduction of the 2018 Code and our move to the FTSE 250, the Board and Executive Leadership Team have reviewed the current effectiveness of our governance framework, assessed the resources to carry out our strategic aims and ensure that the corporate culture aligns with the core values and purpose of the Company. We believe our governance framework is fit to take us through the next stages of our development and we will be progressing initiatives and programmes that have been adopted this year in line with the 2018 Code.

KEVIN MCAULIFFE
NON-EXECUTIVE DEPUTY CHAIRMAN

BOARD'S ACTIVITIES 2019

A. Strategy, operational performance and risks

- Regularly received operational updates from the Chief Executive Officer
- Regularly reviewed potential growth opportunities
- Regularly reviewed principal risks
- Reviewed the results of and evaluated the performance of the external audit
- Regularly reviewed the results of and evaluated the performance of the internal audit
- Regularly updated on IT risks and data security

B. Financial performance

- Regularly received updates from the Chief Financial Officer
- Regularly reviewed details of Group's performance against budget and the Group's financial position
- Reviewed and approved the full- and half-yearly results and associated announcements and the trading updates
- Considered interim and final dividend recommendations and declarations

C. Succession and talent

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

D. Stakeholder engagement and governance

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

CHAIRMAN

Eli Papouchado

Non-Executive Chairman

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

N/A

Independent: No

Year of first appointment: 2007

DEPUTY CHAIRMAN

Kevin McAuliffe

Non-Executive Deputy Chairman

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

Board Committees:
- Nomination Committee

Independent: No

Year of first appointment: 2007

External appointments:
- Supervisory Board Member Arena Hospitality

EXECUTIVE DIRECTORS

Boris Ivesha

President & Chief Executive Officer

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

N/A

Independent: No

Year of first appointment: 2007

External appointments:
- Chairman of Supervisory Board, Arena Hospitality

Daniel Kos

Chief Financial Officer & Executive Director

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

N/A

Independent: No

Year of first appointment: 2018

N/A

NON-EXECUTIVE DIRECTORS

Nigel Jones

Non-Executive Director & Senior Independent Director

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

Board Committees:
- Nomination Committee
- Audit Committee
- Remuneration Committee

Independent: Yes

Year of first appointment: 2007

N/A

Dawn Morgan

Non-Executive Director

- Fellow of the Institute of Chartered Accountants in England and Wales
- Finance Director and Company Secretary of International Energy Group Limited (2004–2013)
- Main Board Company Secretary of International Energy Group Limited (2000–2004)
- Group accountant of International Energy Group Limited (1994–2000)

Board Committees:
- Nomination Committee
- Audit Committee
- Remuneration Committee

Independent: Yes

Year of first appointment: 2016

N/A

Ken Bradley

Non-Executive Director

- Former Guernsey Island Director at RBS
- Former Guernsey Island Director and Chief Country Officer at Barclays Bank

Board Committees:
- Nomination Committee
- Audit Committee
- Remuneration Committee

Independent: Yes

Year of first appointment: 2019

N/A

Nigel Keen

Non-Executive Director

Appointed: 2020
- Chartered Surveyor
- Former head of property at Tesco
- Former head of property at the John Lewis Partnership
- Vistry Group Plc Remuneration Committee Chair and member of both audit and nominations committees
- Non-Executive Director Vistry Group Plc
- Non-Executive Director RG Carter

Board Committees:
- Nomination Committee
- Audit Committee
- Remuneration Committee

Independent: Yes

Year of first appointment: 2020

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

Boris Ivesha

President &
Chief Executive Officer

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

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

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

Daniel Kos

Chief Financial Officer
& Executive Director

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

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

Daniel is a Certified Public Accountant.

Greg Hegarty

Deputy Chief
Executive Officer &
Chief Operating Officer

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

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

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

Inbar Zilberman

Chief Corporate &
Legal Officer

Inbar joined the Group in 2010. Inbar oversees the Group's corporate initiatives including acquisitions, expansions, corporate governance, shareholders' engagement, and corporate social responsibility while continuing to lead the the multi-jurisdictional legal and compliance functions. Inbar brings an expertise in negotiations and deal execution and has a pivotal role in developing the Group's corporate governance, the move to a Premium Listing on the Main Market and subsequent inclusion within the FTSE 250.

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

Jaklien Van Sterkenburg

Executive Vice President People & Culture | Head of HR

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

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

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

Robert Henke

Executive Vice President Commercial Affairs

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

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

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

Daniel Pedreschi

Regional Vice President Operations, United Kingdom

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

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

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

Michelle Wells

Regional Vice President Operations, Netherlands

Michelle has held a number of management positions at PPHE Hotel Group over a period of 12 years, originally joining as General Manager, Park Plaza Sherlock Holmes London in 2007. Michelle moved to the role of General Manager of sister hotel Park Plaza County Hall London in 2014 and then onto Park Plaza 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 Managers Programs in strategic management at Cornell University in the USA, is a Master Innholder and a holder of the Freedom of the City of London.

STATEMENT OF COMPLIANCE

For the year ended 31 December 2019, the Board believes that the Company has applied all the principles of, and complied with all provisions of, the 2018 Code, except as set out in this governance statement as required by the Financial Conduct Authority's (FCA) Listing Rules (which include the 'comply or explain' requirement). We comply with corporate governance requirements pursuant to the FCA's Disclosure Guidance and Transparency Rules by virtue of information included in this governance section of the Annual Report.

The relevant documents can be found online at:

- www.frc.org.uk, for the 2018 Code; and
- www.handbook.fca.org.uk, for the FCA's Disclosure Guidance and Transparency Rules sourcebook as well as Listing Rules.

DIVISION OF RESPONSIBILITIES

Role and responsibility of the Chairman, Deputy Chairman, Senior Independent Director and Chief Executive Officer

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

The Chairman is responsible for strategic leadership of, and operations of, the Board. The Deputy Chairman assists to fulfil governance and internal control functions of the Board and acts as the primary Board liaison to the workforce, and other Directors and shareholders as required. The President & Chief Executive Officer runs the Company's business and leads the Executive Team. The Senior Independent Director acts as a sounding Board for the Chairman and/or Deputy Chairman.

DIVISION OF RESPONSIBILITIES

Eli Papouchado
Chairman

Role

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

Responsibilities

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

Kevin McAuliffe
Deputy Chairman

Role

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

Responsibilities

- Oversees corporate governance for the Board and ensures appropriate and tailored standards are in force to comply with the Code
- Monitoring the induction programme in place for new Non-Executive Directors
- Oversees annual Board and Committee evaluations and puts in place a plan to act on the results of the evaluation
- Communicating with key stakeholders and independent shareholder groups, with the support of the Chief Corporate & Legal Officer and Deputy Chief Executive Officer
- Consulting with Remuneration Committee about executive remuneration
- Appointing designated Non-Executive Director for workforce engagement

Boris Ivesha
President & Chief Executive Officer

Role

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

Responsibilities

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

Nigel Jones
Senior Independent Director

Role

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

Responsibilities

- Challenging the Board where relevant to help in developing proposals on strategy and objectives
- Reviewing and scrutinising performance of management in meeting agreed goals and objectives and monitoring of performance reports
- As Chair of the Nomination Committee, working with the Committee to appoint and remove Executive Directors and ensuring effective succession planning;
- Taking the lead in identifying and providing for the development needs of the Non-Executive Directors to enhance the overall effectiveness of the Board
- Reviewing and supporting the succession planning programme, in his capacity as Nomination Committee Chairman
- Ensures, with the Deputy Chairman and the other members of the Remuneration Committee that there is a clear relationship between remuneration and performance, measured with clear reference to the long-term success of the Company

Board composition

As of 31 December 2019, the Company had seven Directors, five of whom were Non-Executives (including the Chairman, Eli Papouchado), three of whom were considered independent. As of 20 February 2020, the Company has eight Directors, six of whom are Non-Executives. Of those six Non-Executive Directors, four are considered independent. The Deputy Chairman, Kevin McAuliffe, is no longer considered independent (*for more details see the Provision 4 section below*). The Chairman, Eli Papouchado, is not considered independent as he is the founder of the Company (*for more details see Appointment of Chairman below*). The two Executive Directors are Boris Ivesha, President & Chief Executive Officer, and Daniel Kos, Chief Financial Officer.

Nigel Jones will be retiring from the Board and will not stand for re-election at the forthcoming Annual General Meeting. All other Board members will stand for election or re-election at the forthcoming Annual General Meeting.

Appointment of Chairman

The Board re-elected Eli Papouchado ('Papo') as Chairman on 15 May 2019. As the Company's founder and the vision behind its success, Papo remains an invaluable asset to the Board. In setting the Company's purpose, strategy and objectives, the Board leverages Papo's all important knowledge, network and intuition earned through his many successes spanning more than six decades in construction, design, development, financing, acquisition and management of leading hotels, retail spaces, large residential projects and his leadership as Chairman of the Israel Hotel Association. The Board believes that Papo's vision, expertise and intuition are heavy drivers behind the successful strategy of the Company since its founding and therefore unanimously recommended his appointment as the Chairman in 2019.

Independence and tenure of Chairman

Provision 19 of the 2018 Code dictates that the chair should not remain in post beyond nine years from the date of their first appointment, although such time can be extended to facilitate effective succession planning and development of a diverse board. Provision 9 of the 2018 Code further recommends that the Chairman, on appointment, be independent. The Company diverges on both provisions and does so after great debate and deliberation, taking into consideration long-term succession planning and the development of a diverse and experienced Board.

The Board believes that it should not underestimate the substantial ongoing benefits that Papo brings to the Board and to shareholders by maintaining his position.

Papo is the founder of the Red Sea Group (of which Euro Plaza Holdings B.V., the Company's largest shareholder, is a part) and was not therefore independent on appointment, and is not independent of the Company. However, the Board believes that Papo's extensive experience and knowledge of the Group's business, as well as the hotel real estate business more generally and his network, justify this departure from the recommendations of the 2018 Code. To mitigate some of the potential areas of concern, the Board appointed Kevin McAuliffe as Non- Executive Deputy Chairman, with oversight for corporate governance. Kevin was indepepndent on appointment as Deputy Chairman.

2019 Board additions

During 2019, in keeping with our succession planning programme, the Board appointed an Independent Non-Executive Director. As of the date of publication we appointed another Independent Non-Executive Director.

For additional information please see the biography on page 93.

Prior to recruiting for these roles, the Nomination Committee discussed and considered each Board member's individual skills, competencies, knowledge and diversity, alongside succession planning, to ensure that we maintain an effective and strong Board. This process ensures that our Board is able to provide the leadership and strategy of the Company, underpinned by the values and behaviours that shape its culture and the way it conducts its business.

Ken Bradley joined the Board as a Non-Executive Director on 4 September 2019 – see his biography on page 93. With Ken's appointment, the Board was further strengthened with financial and accounting acumen. February 2020 saw the appointment of a further Non-Executive Director, Nigel Keen.

For more information on nominations and appointments, please see the Nomination Committee Report on page 111.

"Ken's impressive breadth of experience and knowledge gained through a long and successful career in banking will complement the balance of skills among the existing directors. He brings an invaluable combination of managerial and financial expertise, and we look forward to welcoming him onto the Board."

ELI PAPOUCHADO
CHAIRMAN

"I am delighted to welcome Nigel to the Board. He brings a wealth of property experience from leading blue chip companies, which will be invaluable as we continue to expand our property capability and build out our development pipeline of over GBP300 million."

ELI PAPOUCHADO
CHAIRMAN

Director induction

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

KEN BRADLEY'S INDUCTION PROGRAMME 2019-2020:

Board ensures resources to meet its objectives and measures performance against them

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

The Directors have adopted a set of reserved powers, which establish the key purpose of the Board and detail its major duties. These duties cover the following areas of responsibility:

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

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

Each Director may obtain independent professional advice at the Company's expense in the furtherance of their duties as a Director. The Board sought the advice of an independent Remuneration consultant Pearl Mayer in 2019. Pearl Mayer provided support to our Remuneration Committee, as provided in more detail in the Remuneration Report.

For more details, see our Remuneration report on page 116 for further information.

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

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

Time commitment

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

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

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

Specifically, the Company Secretary ensures that Board procedures are complied with and carries out responsibilities with respect to Companies (Guernsey) Law 2008 (as amended or replaced from time to time) and the FCA's Listing Rules and Disclosure Guidance and Transparency Rules.

The Chief Corporate & Legal Officer ensures that good information flows around the Board and senior management and that appropriate and timely information is provided to the Board and its committees. The Chief Corporate & Legal Officer is responsible for advising and supporting the Chairman, Deputy Chairman and Board on all governance matters with the support of the Company Secretary.

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

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

Board meetings

The Board promotes a culture of openness and debate, executing its responsibilities with care and consideration, ensuring that there is a clear division of responsibilities between the leadership of the Board and the Executive Leadership of the Group's business. If any Director has unresolved concerns about the Company or a proposed action, these are recorded in the minutes of the meeting. There were no such occasions in 2019.

Board meeting procedures

At each Board meeting, standing agenda items were strategy and management updates from the President & Chief Executive, financial updates from the Chief Financial Officer, corporate governance developments and an update from each Board Committee chair on their respective committee meetings and discussions. Additional items were added to agendas as and if required.

The Notices of Board Meeting and Agendas are formally circulated to the Board in advance of Board meetings as part of the Board papers and therefore Directors may request any agenda items to be added that they consider appropriate for discussion.

At the beginning of each meeting, each Director must disclose the nature and extent of any conflict of interest arising generally or in relation to any matter to be discussed as soon as the Director becomes aware of its existence. Directors must also disclose their shareholdings.

Conflicts of interest

Overall corporate governance arrangements, including Board roles and responsibilities, committee terms of reference. A related party and significant transactions policy, among others. All team members and our Board are required to comply with our Conflicts of Interest Policy. This policy was reviewed this year and an updated version was approved by the Board and compliance training on the same was provided in all operational regions.

A formal procedure is in place for the reporting and reviewing any potential conflicts of interest involving the Board with support from the Chief Corporate & Legal Officer. Any conflict of interest is to be disclosed without delay and strict procedures followed to ensure the conflict is fully evaluated and addressed. As a means of ensuring that the Board members are acting free from personal conflicts of interest, the annual Board assessment reviews the independence of its members, taking into consideration their positions and shareholding in other companies. In line with our Conflicts of Interest Policy and Significant and Related Party Transactions Policy, a Director affected by a conflict of interest is not permitted to participate in formal discussions and decision-making involving the interest at stake. The Board does not believe there to be any inherent conflicts of interest other than ones already disclosed by each Director. Any statutory duties under Guernsey law that are in addition to the Conflicts of Interest Policy are complied with by the Directors.

Board overseeing management

Our Executive Leadership Team was assessed by the Non-Executive Directors and the Deputy Chairman in October and November 2019, in consideration of the results of our annual Climate Analysis, annual progress and in response to feedback from the workforce on increasing engagement in Responsible Business initiatives. Workforce engagement was a useful tool in expanding the assessment of management in 2019 and was part of the deliberations, and decision, by the Board in appointing the Deputy Chief Executive Officer and Chief Corporate & Legal Officer.

These meetings to assess the management and Executive Directors were held without the Executive Directors and it was agreed that both Executive Directors, the President & Chief Executive and Chief Financial Officer had fulfilled the Board's expectations in relation to Company performance. This evaluation was then considered by the Remuneration Committee when assessing compensation for the Executive Directors.

See Remuneration report on page 116 for further information.

As part of the management assessment, the Board reviewed a number of Company policies, procedures and team member training in 2019. The Board further underwent the same annual compliance training provided to all team members. Taking part in this training and reviewing the accompanying internal communications aids the Board is ensuring that the desired behaviours and culture of the Company are reinforced while overseeing the effectiveness of our risk mitigation procedures.

The Board directed the refresh of a number of policies to improve the ease of reading and application to ensure that all team members were empowered by our policies to carry out their duties in line with our Company values and ethos. In consideration of the refresh of these policies, our Directors, particularly our Audit Committee, dedicated time to reviewing best-practice developments, assessing performance and optimising our approach to ensure that we remain relevant and our policies and procedures reflect the core values of the Company.

For more details, see our Audit Committee report on page 113 and our Ethics and Compliance report on page 106.

EVALUATION OF DIRECTORS

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

The Board evaluates its performance and considers the tenure of each Director on an annual basis, and believes that the mix of skills, experience and length of service is appropriate to the requirements of the Company. This feeds into considerations for succession planning for long-serving Directors. Each Director confirmed that they have sufficient time to allocate to the Company to discharge their responsibilities effectively.

Progress made against the 2018 external evaluation was reviewed in 2019. Highlights of progress and actions taken can be found below in the box on the right. The purpose of the 2019 review of Board and committee effectiveness was to follow up on the outcomes and recommendations of the 2018 external evaluation. The evaluation covered the full scope of the Board and each Committee's work, and provided recommendations, suggestions and an overall assessment of effectiveness.

The review found that the Board has made positive progress in 2019.

Focus areas 2019	Board response	Progress
Executive succession planning	While the Board currently considers the retention risk of the Group to be low, the Board recognises that it has a responsibility to investors to prepare a succession plan for the senior executive team that ensures stability and continuity of strategy and achievement.	Greg Hegarty was appointed Deputy Chief Executive Officer and Inbar Zilberman as Chief Corporate & Legal Officer in 2019, which took effect on 1 January 2020.
Board succession planning	The Board and Nomination Committee now have a better understanding of the views of independent shareholders, as well as taking into consideration views and guidance of shareholder proxy groups, on Director tenure and is to consider implementing a steady refresh of tenured Directors.	The Nomination Committee considered these views, and Nigel Jones will retire from the Board at the conclusion of the 2020 Annual General Meeting. Kevin McAuliffe will continue to serve on the Board as Deputy Chairman, but is no longer considered independent, and will stand for re-election at the 2020 Annual General Meeting.
Improve stakeholder engagement mechanism, with a focus on workforce	Stakeholder engagement is vital to Board success and the Board has been more proactive in seeking out productive engagement with the wider stakeholders.	Good progress was made during 2019, with increased opportunities for Non-Executive Directors to collaborate directly with team members and a Non-Executive Director elected as the Board representative charged with ensuring active and regular engagement and understanding of team member concerns.

Annual Committee assessment

Additionally, each Board Committee is assessed annually to ensure that it is functioning in line with the Terms of Reference and mandates set by the Code. The Board has identified a need to further review the Terms of Reference in line with the Code and aims to do so in early 2020. The 2018 assessment was that the Audit Committee should refresh its internal audit requirements and the Nomination Committee should give due care to its Executive Leadership Team succession planning, ensuring that the talent pipeline is well developed at the senior levels of the Company. It was also recommended that the Remuneration Committee should review the medium- to long-term incentive plan. These objectives were achieved in 2019.

Balance of independent Non-Executive Directors

The Code dictates that at least half of the Board, excluding the Chair, be made up of independent Non-Executive Directors. After due consideration was given to all factors that are likely to impair, or appear to impair, the independent judgment of each Director, the Board came to the conclusion that three of the five Non-Executive Directors maintained their independence throughout 2019: Dawn Morgan, Ken Bradley and Nigel Jones. The Board has decided as at November 2019 that Mr McAuliffe will no longer be determined to be independent by reason of his tenure on the Board and his role as Deputy Chairman. See Code Provision 4 statement below. In consideration of Mr McAuliffe's independence at appointment and continued independence through to the end of November 2019, and the addition of Ken Bradley as an Independent Non-Executive Director the Board believes the spirit of Code Principle G has been complied with and there was an appropriate combination of Executive and Non-Executive Directors during the 2019 year, and in particular independent Non-Executive Directors; ensuring that no one individual or small Group of individuals dominates the Board's decision-making.

Code Provision 4

Additional efforts were made to consult shareholders and understand their views, in accordance with Code Provision 4, on Resolutions 8 and 9 (re-appointment of Kevin McAuliffe and Nigel Jones, respectively) at the Annual General Meeting in 2019. Both of these resolutions received a significant vote against their re-appointment to the Board.

Through consultation with significant independent shareholder groups and shareholder proxy agencies, it was found that the primary reason for the vote against re-election related to concerns over the tenure of these two Directors. While the

Board believes that both Mr McAuliffe and Mr Jones are highly effective and engaged members of the Board with a wealth of knowledge, which is highly valued by the Company, the Board has given further consideration to the views of its shareholders and taken the following actions since the 2019 Annual General Meeting vote and reported on the same in November 2019.

In response to this feedback, Mr Jones will be retiring from the Board in 2020 and will not be seeking re-election at the 2020 Annual General Meeting.

In response to shareholder feedback, the additional action was undertaken to re-evaluate Mr McAuliffe's independence with greater emphasis placed on shareholder responses and in view of his appointment as of 12 June 2018 as Non-Executive Deputy Chairman. While the Board continues to believe that as of November 2019, the Board resolved that Mr McAuliffe was independent in character and judgment, and the Board agreed that going forward Mr McAuliffe will no longer be deemed as independent. To effectuate proper governance, this decision directed that the Board seek an additional independent Director to ensure that at least half of the Board, excluding the Chair, continues to be considered independent. As of the time this report was published, two additional independent Non-Executive Directors appointed, Nigel Keen and Ken Bradley, and will seek shareholder election at the 2020 Annual General Meeting.

Board succession planning

In light of the Company's joining of the FTSE 250, and following the 2019 Annual General Meeting, the Board further reviewed its succession planning programme.

As part of the governance journey that accompanies the joining of the FTSE 250, the Board established a succession planning programme. As an important element of this programme, the Board acknowledged the long tenure of certain Board members, whose roles have been integral in generating the success and growth to prompt inclusion in the FTSE 250. However, it is business imperative to ensure that the refreshment of the Board is sufficiently gradual so as to encourage stability, continuity of values and strategy and the overall success of the Board, each committee and the Company as a whole.

In keeping with the succession planning programme, Nigel Jones will be retiring from the Board in 2020 and an additional independent Non-Executive Director has been appointed and will stand for election at the 2020 Annual General Meeting, alongside Ken Bradley who will stand for election following his appointment as an independent Non-Executive Director in September 2019.

While the consideration of the Code's emphasis on tenure remains, the Board is strongly of the belief that the Chairman is invaluable to the Company and the Board, and his continued role in the Company has led to our continued success.

The Board considers the depth of knowledge Deputy Chairman brings to the Board, to be of significant value while the Board progresses its succession planning programme and new directors are acclimating to their roles. Accordingly, the Board diverges from tenure recommendations in the Code with respect to the Chairman and Deputy Chairman.

Executive succession planning

At the Executive level, the Board, led by the Nomination Committee, effectuated the executive succession planning for 2019 by appointing Greg Hegarty as Deputy Chief Executive Officer and Inbar Zilberman as Chief Corporate Officer & Legal Officer. Additionally, the talent pipeline was further developed with the talent pool being utilised to fill vacancies within hotel management and to promote individuals within the corporate teams.

The Board was actively involved in these appointments and further took the initiative to meet with many candidates being considered for leadership promotions. Fully utilising the talent pipeline to nurture the long-term relationship with leadership candidates is a strength of the Company.

The Board will keep a watching brief on the talent pipeline.

Succession planning programme 2019

FEBRUARY	MAY	SEPTEMBER	DECEMBER
Succession planning A	Succession planning A	Succession planning of Board and senior management B	Succession planning of Board and senior management N
Succession planning of Board and senior management B	Succession planning of Board and senior management B	Succession planning of Board and senior management N	Succession planning B
Succession planning of Board and senior management N		Succession planning of the Audit Committee B	

B Board meeting
A Audit Committee meeting
N Nomination Committee meeting

DIVERSITY

BOARD

SKILLS

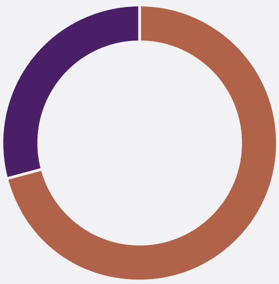
Accounting & Tax	29%
Hospitality	29%
Real Estate & Development	43%
Banking & Corporate Finance	43%
Operations	29%
Corporate Affairs & Legal	29%

GENDER DIVERSITY

14%
FEMALE

86%
MALE

ETHNIC ORIGIN



71% Europe
29% Middle East

NATIONALITIES

AVERAGE AGE

61

DIRECT REPORTS TO CHIEF EXECUTIVE OFFICER

SKILLS

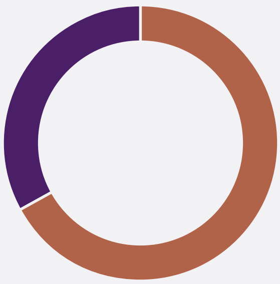
Accounting & Tax	33%
Hospitality	33%
Real Estate & Development	33%
Banking & Corporate Finance	33%
Operations	33%
Corporate Affairs & Legal	33%

GENDER DIVERSITY

33%
FEMALE

67%
MALE

ETHNIC ORIGIN



67% Europe
33% Middle East

NATIONALITIES

AVERAGE AGE

42

THEIR DIRECT REPORTS

SKILLS

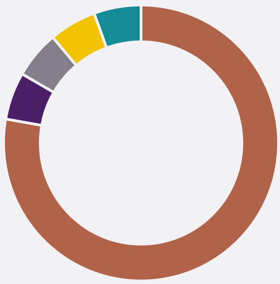
Accounting & Tax	19%
Hospitality	19%
Real Estate & Development	19%
Banking & Corporate Finance	14%
Operations	29%
Corporate Affairs & Legal	19%

GENDER DIVERSITY

50%
FEMALE

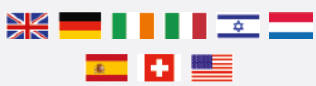
50%
MALE

ETHNIC ORIGIN



78% Europe
5.5% North America
5.5% Middle East
5.5% Africa
5.5% India

NATIONALITIES



AVERAGE AGE

42

HAMPTON-ALEXANDER REVIEW 2019

The Hampton-Alexander Review is an independent body set up to review women's representation in FTSE 350 companies at Board level and in leadership roles two layers below the Board. As a new constituent of the index, 2019 was the first year of our participation in the review. We were pleased to be ranked in the Top 3 FTSE listed companies in the Travel and Leisure Sector for combined executive committee and direct reports with a ratio of 43.5%. Furthermore, this ratio suggests that out of all participating full-service hotel companies, we are the most diverse in terms of women's representation at the combined executive committee and direct reports level. The figures on the previous page are updated as of 31 December 2019.

FTSE LISTED TRAVEL AND LEISURE SECTOR COMPANIES FOR COMBINED EXECUTIVE COMMITTEE AND DIRECT REPORTS

Top 3

RANKING

43.5%

RATIO

The Board has a diversity of relevant skill sets with varied and balanced experience, knowledge and skills that are highly relevant to the Company's needs and challenges.

The Company is committed to a merit-based system for both its Board composition as well as talent recruitment for the Group within a diverse and inclusive culture which seeks outward multiple perspectives and views and is free of conscious or unconscious bias and discrimination. The Board maintains a diversity policy, which is considered for all Board, senior management appointments and succession plans. Furthermore, the Board Diversity Policy is reviewed annually by the Board, and was most recently reviewed in August 2019, to ensure that the policy is up to date and has been observed by the Nomination Committee.

Our review of gender diversity ahead of the Hampton-Alexander Review highlighted a great depth of diversity at the executive level, but an area for improvement at the Board level. The Board reviewed whether diversity targets would be advantageous to improve diversity at the Board level. The conclusion was that setting diversity targets risks overshadowing the need to identify suitable candidates on the basis of merit, with the primary objective of finding directors whose skill set best reflects the needs and nature of the business. However, the absence of targets makes it no less pressing that all future appointments and re-appointments are taken with due regard to the benefits of diversity and the needs of the Board.

Diversity at all levels, including the Board, that has strategic and oversight of PPHE, is a key to ensuring that the Group is not at risk of group-think and monotone decision-making. The Board and senior management are a unified voice for PPHE's strategic growth weaved together by individual directors each with their own experience, skill set, expertise and background. Our Board and Executive Team consists, of both men and women and includes talented and committed individuals whose business experience, geography, age, gender, and ethnicity are varied.

For more details see page 102 on leadership diversity.

Equality, diversity and inclusion in the workforce

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

TALENT DEVELOPMENT

"The Board's role is succession planning, remuneration and workforce enagement give meaningful opportunities to shape Company culture."

KEN BRADLEY
NON-EXECUTIVE DIRECTOR

For details on Board engagement with the workforce and exercising oversight of Company culture, see pages 104 to 107.

We have a robust process in place to ensure that Company leadership is actively engaged with identifying and developing our talented team members. In 2019, the UK and the Netherlands used 85 internal trainers and almost 100 internal coaches to develop our team members, and to continue growing our talent pipeline. At PPHE, we have 38 fully trained mentors, including our Executive Leadership Team and Deputy Chief Executive Officer, throughout the business who are fully trained to support team members on our leadership and development programmes.

EXAMPLES OF THE BOARD MONITORING CULTURE & WORKFORCE ENGAGEMENT

Designated Non-Executive Director

Kevin McAuliffe, Non-Executive Deputy Chairman, has been tasked with gathering the views of the workforce. The views of the workforce are then shared with the Board and considered in the Remuneration, Nomination and Audit Committee meetings and when directing action and strategy on culture.

Board site visits

Site visits provide the Board with great opportunities to better understand the dedication, work and the feedback from both the managerial and non-managerial team members. This understanding greatly improves the depth of the Board's understanding of our operations and team member views.

This recommendation of at least two site visits per year will be reviewed in 2020 to determine how we can continue to use site visits to enhance the Non-Executive Director's understanding of the day-to-day operations of the Company. The site visits were an integral part of Ken Bradley's induction and he will be supporting the process of Nigel Keen's induction programme, taking guidance from site visits and activities that he felt were of considerable benefit to his own induction process in 2019.

As part of our refreshed Responsible Business programme, we aim to create more opportunities for the Board to interact closely with team members at all levels and across the Group. Our Responsible Business programme is a great platform to expand on our workforce engagement as it reflects our values and Company purpose in a wider sense. Ensuring participation opportunities for our Board helps to reinforce our culture and engagement in a mutually enriching and informal manner.

Leadership summit

At the beginning of 2019, PPHE held a three-day summit, 'We Are Creators', that brought together our leadership from the United Kingdom, the Netherlands, Germany & Hungary and Croatia to launch the Company's new purpose.

The sessions included panels with our Chairman and President & Chief Executive Officer, creative leadership workshops, keynote guest speakers, mindfulness training and an awards dinner recognising team members and suppliers. Following the 2019 We Are Creators Leadership Summit, we rolled out a series of similar events in the United Kingdom, the Netherlands and Germany. These events were attended by more than 2,000 team members.

We have also created workbooks for each hotel and department to recreate the collaboration activities and group with thier own teams. These workbooks focus on how to recreate the activities that focused on our values, purpose and collaboration exercises.

For more details on the Responsible Business programme see pages 80 to 89.

Town hall meetings – Corporate teams

Led by our Executive Directors and our executive leadership team, the Company hosts quarterly meetings, 'Let's Connect!', with the corporate teams in both London and Amsterdam. These meetings are used to keep team members updated on recent developments. These town hall style meetings allow team members to ask questions and provide feedback.

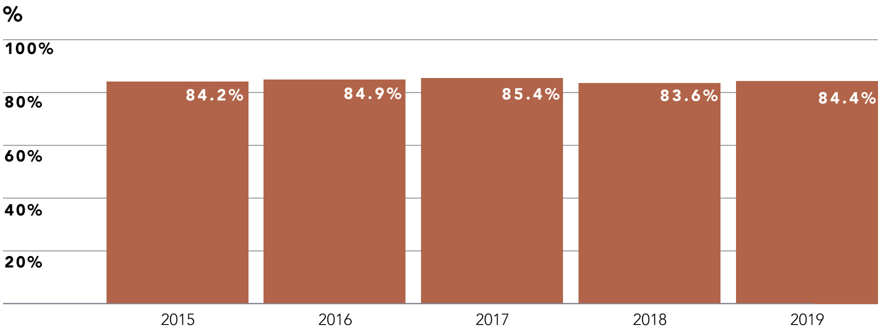
Town hall meetings – Regional teams

Each region conducts quarterly 'lets connect' meetings in regional and corporate offices. These meetings are often attended by the executive leadership team.

Digital sharing platforms

Our dedicated team member intranet gives our team members a chance to hear regular updates from the President & Chief Executive Officer, executive management team, regional and corporate colleagues as well as share their views and experiences. The intranet saw more than 281,000 visits and 1,221,410 page views in 2019.

ENGAGEMENT SCORE



Team member engagement survey

Having a fully engaged team is critical in order to attract and retain our team members and provide great guest experience. In order to do this, a culture where team members feel safe to share their opinion and help us shape the future of our Group is essential.

We have been measuring employee engagement since 2015 and it continues to play an important role in the further development of the Group by helping us understand and improve our team members' experience. Each year, team members are asked detailed questions around their job, manager, team and Company, and an overall engagement score is produced.

Our Climate Analysis survey is conducted digitally at least once a year and are developed in multiple languages to remove as many barriers to entry as possible and encourage participation. In 2019, we achieved an engagement index score of 84.4%. With 3,409 completed surveys, the participation ratio of eligible team members remained steady at 89%. Mr Kevin McAuliffe was part of the designated session to review and discuss the results in detail and will monitor follow up results.

Workforce engagement at the Board level is a growth area for the Company, as we continue with the methods of engagement which have proven effective during 2019, and expand our depth of engagement, seeking to enhance our discussions with hotel team members at all levels and bring in new stakeholder issues.

For more information on how we engage with our stakeholders, please see pages 73 to 79.

Workforce engagement outcome example – accommodation unit

Our team members are key stakeholders and a strategic asset to our business. Regular engagement between the Board, Executive Leadership Team and workforce allows us all to ensure that we are mutually benefiting from our relationship and appreciate the role we each play in our collective and individual success.

Finding affordable accommodation in London with good facilities has been identified as a major concern for some team members. To solve this, the Board and Leadership Team have invested in purchasing and developing an accommodation unit in a trendy Chiswick Park area of London. The unit opened its doors to its first team members in January 2020 and offers high quality homes with easy commute at below the market average rate. We believe this is an excellent example of the Board acting on the views of our team members, as this not only answers their request but it will help the Company to attract talented individuals in the London market going forward.

The initiative will be monitored closely by the Board and, if successful, we will continue to look for other units.

"Our team members are at the heart of our business and are indispensable for its success. Establishing effective engagement and encouraging active participation between our team members and Board provides immeasurable value to both the Board and our Team Members."

DANIEL KOS
CHIEF FINANCIAL OFFICER & EXECUTIVE DIRECTOR

ETHICS AND COMPLIANCE

Our Board is actively expanding its duties to include ensuring that the Company contributes to wider society.

Workforce policies and practices

Reflecting its introduction in the 2018 Code, the Board has made more proactive efforts to oversee and ensure that workforce policies and practices are consistent with the Company's values and support its long-term success.

Whistleblowing

Included in the Board focus on workforce policies, practices and culture, the Board oversaw the review and complete overhaul of the Whistleblowing Policy. The Policy allows the workforce to raise any matters of concern, and was implemented in all regions in December 2019 and is to be implemented in Arena Hospitality Group, our Croatian subsidiary, in early 2020.

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

The Board has it in mind to regularly review these arrangements, alongside all of our ethical dealing policies, to ensure that they are proportionate, effective and allow for independent investigations of matters and appropriate follow-up action.

With the Code of Conduct, our Board was integral in setting the culture by identifying the right behaviours. Further to that, our remuneration policy manages performance against those behaviours and reinforces them with incentive structures.

Ensuring incentives align with culture and are standardised across the Company is a focus area for our Remuneration Committee and Board in 2020.

See Code of Conduct on page 106

NED involvement in Governance, Ethics and non-financial risk

Culture & embedding culture and values

The Group's leadership culture is one of connecting, inspiring, innovating and empowering, and we foster an environment based on our values to drive our internal blueprint 'We Are Creators'. These values allow us to create an optimal leadership culture which drives the optimal working climate of our team members to ultimately deliver our intended guest experience. Our leadership teams delivered the blueprint sessions throughout the summer to their teams who then cascaded the training to their subsequent teams.

With the launch of the blueprint, we are more than ever aligned to deliver the intended guest experience with our leaders being ready to support an inclusive, fun, adaptive working climate where our team members have the opportunity to grow.

When our team members are happy and engaged, they provide better service to our guests.

Our ethos is that with the right attitude, anyone can succeed, and therefore when we recruit we look for individuals who reflect our team member behaviour. Our blueprint supports us to effectively recruit team members and build links with the education sector, local authorities and charities.

One way in which we do this is through our PPHE Career Festivals and Hospitality Showcases, held throughout the year in the UK and the Netherlands. The purpose of these events is to reach out to our local community and partners, as well as filling entry level and managerial roles in key areas of the business. In 2019, 170 people were hired on the day at our Careers Festivals.

All new team members attend our mandatory 'Feeling Welcome' induction programme, ensuring that new starters understand our culture, values and their role in delivering inspirational guest experiences. We then develop our team members personally and professionally by providing them with skills, knowledge and the opportunity to grow. We take this seriously and have worked hard to put together award-winning talent and learning programmes.

Health and well-being

Embedding a long-term and positive culture to mental and physical health across the organisation is important to us. We want to promote a mentally healthy environment, stopping preventable issues and allowing people to thrive and become more productive.

Every employee has access to an independent employee assistance programme, and in 2019 we trained team members from across the UK to become Mental Health First Aiders. We encourage all of our team members to take part in internal events to promote health and well-being. In 2019, teams across the UK took part in World Mental Health Day and Mental Health Awareness Week. Team members participated in yoga sessions, and held activities that opened up conversations around well-being, confidence and mental health.

For additional information on health and well-being see our Responsible Business section page 80

Human rights and anti-slavery

In 2019, the Company published its own Responsible and Ethical Sourcing Policy, and began introducing it into the business to be applied to individual hotel suppliers and centrally for regional and corporate procurement. This policy aligns with the 2019 Modern Slavery Statement, which sets out our Company efforts to avoid any potential complicity in human rights violations related to our operations or supply chain.

Training on our anti-slavery policy and Responsible and Ethical Sourcing Policy has been carried out at the General Manager level and with the intent to further support the policy with the addition of training materials for all hotels in the year ahead.

Anti-bribery

The Company and its Directors are committed to ensuring adherence to the highest legal and ethical standards. The Board has a zero tolerance approach to bribery and corrupt practices. This is reflected in all elements of the way the Group operates and was reinforced in the refreshing of the anti-bribery policy suite and accompanying training.

The anti-bribery policy suite extends across all of the Group's business dealings in all countries and territories in which the Group operates and applies to Directors, managers and all employees of the Group, as well as relevant business partners and other relevant individuals and entities.

Code of Conduct – Culture

The Company took the decision to fully refresh our ethical dealing policies and ensure that our policies are holistically integrated with our key Company values. In January, our Non-Executive Directors attended a workshop in our regional London office to review Company compliance and have focused discussions on expansion of governance, compliance, data protection, non-financial risk and ethical business initiatives. The outcome of this was the full review of our ethical dealing policies, which have been steadily rolled out, accompanied by training, to all regions this year and will continue to be rolled out during 2020.

Our Board supports the highest standards of transparency, accountability and integrity. Our new Code of Conduct is designed to guide our behaviour in all areas of decision-making, keeping our values and shared culture at the forefront of all business decisions.

The Code of Conduct offers guidance on our key values and ethical behaviour towards all stakeholders and covers issues of ethical practices, diversity and fair treatment for all, sustainability and environmental protections, health and safety, government and community relations, environmental protection, transparency, competition, anti-bribery and data protection. The Code of Conduct will be published, with training and internal communications, in 2020, and ensures that the Company's values, as endorsed by the Board, are clearly set out for all team members and integrated seamlessly into the fabric of the Company.

Our whistleblowing and anti-bribery policies and procedures were fully overhauled to ensure that each provided clear procedures that are easily understood and are relevant to our business.

The Code of Conduct will be fully integrated into the business in the year ahead, with anti-bribery and whistleblowing having been published internally and accompanied by compliance training in all regions in 2019.

BOARD RESPONSIBILITIES

Strategy. Define and set long-term objectives ensuring the necessary resources are available for the business to develop and grow in a sustainable way. Set and monitor annual operating and capital expenditure budgets and material deviations from them.

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

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

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

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

Extension of Group activities. Approve any material modifications to the Group's commercial activities, ensuring significant departures from existing Group activities are considered prudently and with a clear understanding of the risks as well as the rewards, with due consideration given to the likely reaction stakeholders.

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

BOARD AND COMMITTEE MEETINGS

Our Board

Strategy. Purpose.
Culture. Communications.

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

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

Board Committees

In accordance with the 2018 Code, the Company has established the following committees in order to support the Board and carry out work on its behalf:

- Nomination Committee
- Audit Committee
- Remuneration Committee

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

Nomination Committee

For more information, please see page 109

Develops. Plans.
Evaluates. Nominates.

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

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

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

Members of the Committee:

Nigel Jones – Chair
Kevin McAuliffe – Non-Executive Director
Dawn Morgan – Non-Executive Director
Ken Bradley – Non-Executive Director

Audit Committee

For more information, please see page 111

Transparency. Accuracy.
Monitors. Aligns.

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

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

- Monitors the Group financial statements
- Reviews the effectiveness of the Group's system of internal controls and risks
- Oversees ethics and compliance for the Company
- Reviews the Group internal and external audit functions

Members of the Committee:

Dawn Morgan – Chair
Nigel Jones – Non-Executive Director
Ken Bradley – Non-Executive Director

Remuneration Committee

For more information, please see page 116

Values. Culture.
Talent proposition.

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

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

- Remuneration Policy
- Sets targets and incentive schemes
- Executive and senior management remuneration review
- Workforce remuneration
- Workforce compensations on benefits policy

Members of the Committee:

Nigel Jones – Chair
Dawn Morgan – Non-Executive Director
Ken Bradley – Non-Executive Director

Disclosures Committee

BOARD AND COMMITTEE MEMBERSHIP

	B	N	A	R
Eli Papouchado	C			
Kevin McAuliffe[1]	■	■		
Boris Ivesha	■			
Daniel Kos	■			
Nigel Jones	■	C	■	C
Dawn Morgan	■	■	C	■
Ken Bradley	■	■	■	■

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

1 Kevin McAuliffe stepped down from the Audit Committee and Remuneration Committee during 2019.

Board and Committees membership

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

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

BOARD AND COMMITTEE MEETINGS

The Board and its Committees have a sufficient number of regularly scheduled meetings to discharge their respective duties. The Board also held two unscheduled meetings in 2019. Additionally, the Board holds regular ad-hoc Board Committee meetings when and if required, for example to discuss a recent purchase of a corner site at Waterloo.

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

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

BOARD AND COMMITTEE MEETINGS ATTENDANCE

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

Board and Committee attendance.

	Board meetings attended/ eligible to attend	%	Audit Committee meetings attended/ eligible to attend	%	Remuneration Committee meetings attended/ eligible to attend	%	Nomination Committee meetings attended/ eligible to attend	%	Ad-hoc Board Committee meetings
Eli Papouchado	1/6	17%	n/a	n/a	n/a	n/a	n/a	n/a	–
Kevin McAuliffe[1,2]	6/6	100%	2/2	100%	3/3	100%	5/5	100%	5
Nigel Jones	6/6	100%	5/5	100%	4/4	100%	5/5	100%	4
Dawn Morgan[3]	5/6	83%	5/5	100%	4/4	100%	5/5	100%	4
Ken Bradley[4,5,6,7]	3/3	100%	1/1	100%	2/2	100%	1/1	100%	1
Boris Ivesha[8]	5/6	83%	n/a	n/a	n/a	n/a	n/a	n/a	–
Daniel Kos	6/6	100%	n/a	n/a	n/a	n/a	n/a	n/a	–

1 Mr McAuliffe stepped down from the Audit Committee following the 2019 Annual General Meeting.
2 Mr McAuliffe stepped down from the Remuneration Committee in November 2019.
3 Ms Morgan was out of the country at the time of this Board meeting. The meeting could not be moved and was at 2am local time where she was. Her attendance was excused in advance.
4 Mr Bradley was appointed to the Board in September 2019 and therefore was only eligible to attend one Board meeting.
5 Mr Bradley was appointed to the Audit Committee in September 2019 and therefore was only eligible to attend one Audit Committee meeting.
6 Mr Bradley was appointed to the Remuneration in September 2019 and therefore was only eligible to attend two Remuneration Committee meetings.
7 Mr Bradley was appointed to the Nomination Committee in September 2019 and therefore was only eligible to attend one Nomination Committee meeting.
8 Mr Ivesha could not join one unscheduled ad-hoc Board meeting as he was abroad. His views on the discussed matters were, however, communicated to the Deputy Chairman.

Board monitoring culture

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

Other key sources of intelligence in determining the culture include:

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

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

Nigel Jones
Chairman of Nomination Committee

Nomination Committee members

Kevin McAuliffe
Non-Executive Deputy Chairman

Dawn Morgan
Non-Executive Director

Ken Bradley
Non-Executive Director

Role

The work of the Nomination Committee is instrumental in supporting the Group's commitment to promoting a diverse and inclusive culture which encompasses multiple perspectives and ensuring that the Board and the Group's wider workforce at all times consists of talented and committed individuals whose business experience, age, gender, and ethnicity are varied.

Throughout the year, the Nomination Committee regularly reviews the balance and composition of the Board, its committees and the Executive Team, as well as Non-Executive Director independence, skills and tenure in light of the recommendations of the 2018 Code. It is responsible for reviewing the capabilities, talents, diversity and development strategy at the most senior levels of the business, overseeing the development of a diverse pipeline for succession and nominating suitable candidates for Board positions.

"The composition of the Board has been reviewed and shaped to ensure it fulfils the current needs of the business, the business demands going forward and is in line with the Committee's succession planning and the requirements of the 2018 Code".

NIGEL JONES
CHAIRMAN OF THE NOMINATION COMMITTEE

Nomination Committee attendance and meetings

The Nomination Committee met five times during the year. Attendance of the individual Directors who served on the Nomination Committee throughout the year is shown in the table on page 108.

Nomination Committee's focus in 2019

Function	Actions in 2019
Board and Committee composition	• Reviewed the composition of the Board to ensure maintenance of an appropriate balance of skills and diversity of experience to support the future growth strategy • Reviewed the results and recommendations of the Board's external evaluation • Oversaw the implementation of and reviewed the results of the Board internal evaluation • Conducted internal assessment of the Nomination Committee's performance and constitution to ensure effectiveness • Reviewed Terms of Reference of the Nomination Committee
Board nominations	• Oversaw the recruitment process of new Directors, including short list of candidates • Considered the appointment of two new Directors
Succession planning for Directors and senior management	• Regularly reviewed and considered succession planning for the Board and senior management
Diversity and talent development	• Considered the results of gender balance of the Company • Discussed gender diversity of the Company and pathway to better top-management gendered diversity • Reviewed the Board's Diversity Policy • Assisted the Remuneration Committee with expenses and remuneration policies and incentives plans

Nomination Committee membership

The Nomination Committee is formed with four Non-Executive Directors, three of whom are considered by the Board to be independent and all who have no personal financial interest in the matters to be decided. The Committee is chaired by Nigel Jones, Senior Independent Director. Its other members are Dawn Morgan, Kevin McAuliffe and Ken Bradley. Nigel Keen was appointed post period end.

Succession Planning

When reviewing candidates for appointments to the Board, the Nomination Committee considers the current skillset and experience of the Board against the future needs and long-term succession planning in light of the Group's strategy and needs. An independent review as to the effectiveness of the Board and its committees was concluded in February 2019 and provided the framework for the Nomination Committee to review the composition of the Board and identify the skillsets that would best compliment the Board. The Nomination Committee further considers the Board's composition, diversity and how effectively its members work together to achieve objectives as set out in the relevant Terms of Reference, when suggesting both new appointments and endorsing the re-election of existing Board members. Due consideration is also given to the length of service of the Board as a whole. Crucially, the Executive Directors were not present at the Nomination Committee meetings held over the course of the year providing the Committee with an opportunity to objectively review the balance of the Board and openly consider its succession plans.

The Nomination Committee's succession planning programme seeks to ensure that board succession is considerate of the overall existing composition, skillset and tenure of the Board in order to maintain a well-rounded balance of individuals whilst preserving the stability and continuity of the Board. In light of the above objectives and in consideration of both the requirements of the Code and independent shareholder views concerning tenure, Nigel Jones will be retiring from the Board and the Nomination

Committee, and will not stand for re-election at the 2020 AGM. As such, the Board led by the Nomination Committee, actively progressed with the appointment of two Non-Executive Directors; Ken Bradley and Nigel Keen, post period end.

New appointments

The Nomination Committee leads the process for appointments. Following the independent review of the effectiveness of the Board carried out in February 2019; in light of Nigel Jones' retirement from the Board and the Nomination Committee; and in light of Kevin McAuliffe vacating his independent directorship following his appointment as Deputy Chairman, the Nomination Committee identified that the two new Non-Executive Directors to be appointed over the course of 2019 should have relevant banking, risk management and property expertise.

The Nomination Committee started its search by appointing OSA Recruitment, a local Guernsey-based external search consultancy practice. The Nomination Committee informed OSA Recruitment of the skills and experience that they were looking for and directed them to put forward a range of candidates with a focus on skill set and diversity. OSA undertook an advertising campaign which resulted in five candidates being shortlisted by the Nomination Committee and led to the appointment of Ken Bradley in September 2019.

The Nomination Committee concluded that Ken's banking and risk management experience (particularly his experience as Guernsey Island Director of Barclays Bank) would add to the skill set of the Board.

Following the successful appointment of Ken Bradley, the Nomination Committee then sought to appoint a candidate with property expertise. The Nomination Committee used external search consultancy, Forster Chase, to find the second candidate. Foster Chase participates in the Voluntary Code of Conduct for Executive Search Firms.

Five candidates were shortlisted and interviewed. Through this process and the evaluation of candidates against the Nomination Committee's criteria, it was clear that Nigel Keen was the candidate that offered the most appropriate skills for the position and was duly appointed on 20 February 2020. Nigel Keen, a Chartered Surveyor, brings a wealth of experience in property development and construction, having served as Property Director for Tesco and more recently Waitrose.

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

Induction training and development

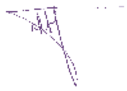
Following each new appointment, a bespoke training programme is arranged for the relevant new director to introduce them to the various elements of the business allowing them to better understand its operation and aspirations so that they may provide improved contributions to the Board. This induction process, full details of which are set out on page 98, also covers relevant laws (e.g. Money Laundering, the Market Abuse Regulation, the Listing Rules and the Disclosure Guidance and Transparency Rules).

PPHE is the top Company amongst FTSE 350 full-service hotels for women's representation of combined senior team and their direct reports.

Diversity and talent recruitment

As the designated Non-Executive Director for workforce engagement, Kevin McAuliffe takes proactive efforts to understand the views of the workforce and ensure they are communicated and well reflected in Nomination Committee, Audit Committee and Board discussions. This insight into the views of the workforce assisted the Nomination Committee in its work of monitoring the diversity and culture of the workforce over the course of 2019.

During the year, the Nomination Committee also reviewed the Diversity Policy and analysed gender diversity across the business. The results were positive and showed a good balance across the senior members of all teams. The Nomination Committee considers that this balance is important to ensure that there is an appropriate balance at senior positions in the future. A snapshot summary of the diversity of the Company at board level and in leadership roles two layers below the Board is set out on page 102.

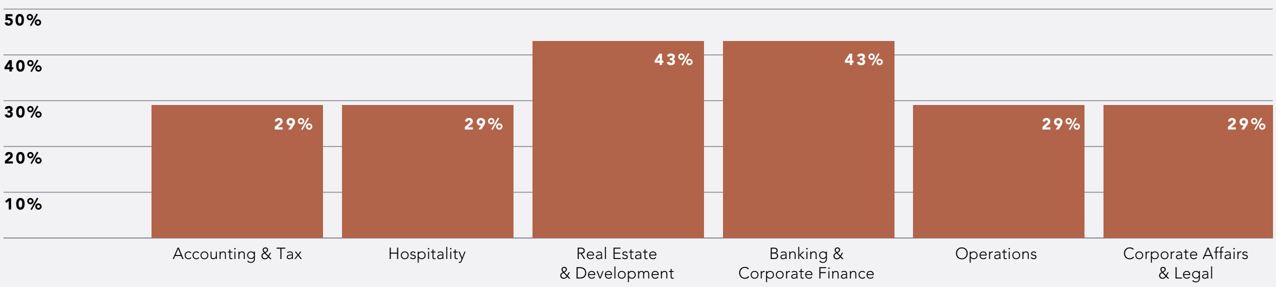


NIGEL JONES
CHAIRMAN OF
NOMINATION COMMITTEE

"We as a Board have considerable opportunities to shape the culture of the Company through our responsibilities around compensation and succession planning. We recognise that the leadership pipeline must reflect the Company's values in order to safeguard the sustainability of the Company and its culture."

KEN BRADLEY
NON-EXECUTIVE DIRECTOR AND MEMBER OF THE NOMINATION COMMITTEE

BOARD SKILLS
%



Dawn Morgan
Chairwoman of Audit Committee

Audit Committee members

Nigel Jones
Non-Executive Director & Senior Independent Director

Ken Bradley
Non-Executive Director

Role

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 announcements represent an accurate and fair reflection of its financial position;
- ensure that appropriate accounting policies, internal financial controls and compliance procedures are in place; and
- review the external audit process as well as the external auditor's independence.

The Audit Committee receives and reviews information from the Chief Financial Officer, the Chief Corporate & Legal Officer, 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.

The Board considers that the work and composition of the Audit Committee complies with the 2018 Code.

Audit Committee's Focus in 2019

Function	Actions in 2019
Monitor the Group's financial statements	• Reviewed financial statements, associated announcements and announcement timetable • Reviewed the form and content of the Annual Report to ensure that it was fair, balanced and clear • Reviewed interim results for the period ended 30 June 2019 • Reviewed the viability statement and ensured that the model used for scenario and sensitivity testing clearly aligned with the principal risks of the Group
Ensure that the Group's financial systems provide accurate and up-to-date information on its financial position	• Reviewed and considered the performance of the Group's assets throughout the year • Reviewed and considered the Group's refinancing activities • Approval of budget
Review the effectiveness of the Group's system of internal controls and risks	• Reviewed and considered the effectiveness of financial controls and internal control and risk management systems against action plans • Monitored and reviewed the effectiveness of internal audit function • Reviewed Whistleblowing Policy • Conducted internal assessment of the Audit Committee's performance and terms of reference to ensure effectiveness • Oversaw the appointment and progress of the Enterprise Risk Manager • Monitored enforcement principle in subsidiaries • Received updates on enterprise risk management • Updated principal risk schedule and Enterprise Risk Management framework • From the monthly management information provided, ensured that any required remedial action on any identified weaknesses was implemented
Oversee ethics and compliance for the Group	• Regularly reviewed IT risks and cyber security and procured a cyber-insurance policy • Reviewed governance standards of the Group and its subsidiaries • Reviewed data privacy matters and procedures • Reviewed and considered updated Significant and Related-party Transaction Policy • Monitored arrangements with related parties • Organised and analysed the outcomes of operational site visits to Park Plaza Nottingham and Park Plaza Leeds
Review the Group's external audit function	• Monitored and assessed the quality and effectiveness of external audit function • Approved the terms of external audit engagement

Audit Committee membership

The Audit Committee comprises the following independent Non-Executive Directors, each having relevant skills and experience as prescribed by the UK Corporate Governance Code:

- Dawn Morgan brings valuable insight through her role as our Audit Committee Chair. Dawn is a Chartered Accountant and a former Finance Director and Company Secretary. These previous roles together with her robust experience in all aspects of commercial finance (including treasury and strategic aspects), allow her to provide strong leadership to the Audit Committee in carrying out its duties and responsibilities;
- Nigel Jones has substantial experience of dealing with financial matters as well as relevant experience in the property and construction industries; and
- Ken Bradley brings a wealth of recent banking (as well as general financial and managerial) experience.

This combined breadth of relevant financial experience is such that the Board is satisfied that the members of the Audit Committee can properly discharge their duties in light of the nature of the Group's business and the sector in which it operates. The Board is supportive of the more active role the Committee has taken over the 2019 financial year following the Company's transfer to a premium listing (in particular by leading risk work streams as further explained below) and believes that the addition of Ken to the committee has complemented its existing skill set.

Kevin McAuliffe's membership of the Audit Committee came to an end at the 2019 Annual General Meeting following the successful completion of the handover to Dawn Morgan as the new Chairwoman of the Audit Committee. As Nigel Jones will also be retiring and not seeking election at the 2020 Annual General Meeting, the Nomination Committee has conducted a careful search for a Non-Executive Director with the expertise to suitably step in to the upcoming vacancy on the Audit Committee. This search has resulted in the appointment of Nigel Keen to the Board and Audit Committee.

External audit and external auditors

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, are the Company's current external auditors and were re-appointed for a tenure of one year at the Company's last Annual General Meeting.

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.

A formal tender process was last carried out in 2014 and under current regulations we will be required to retender the audit by no later than the 2024 financial year. Our current engagement partner at Kost Forer Gabbay & Kasierer has only been in the post since 2017. Taking this and a review of other relevant factors (outlined below) into account, the Committee has concluded that there is no reason to consider an audit retender at this time.

Kost Forer Gabbay & Kasierer have expressed their willingness to continue in office as auditors and a resolution to re-appoint them for a tenure of one year will be proposed at the forthcoming Annual General Meeting. If approved, this will be Kost Forer Gabbay & Kasierer's sixth year of appointment as the Company's external auditors.

Over the course of the Audit Committee meetings held this year, the Committee has considered in detail the reports and financial statements produced by Kost Forer Gabbay & Kasierer and monitored their progress and the quality of the work produced. The Committee also arranged for Kost Forer Gabbay & Kasierer to present their findings to them following their annual audit review, which provided the Committee with a forum to raise queries and questions. The findings of the Audit Committee were then discussed with the Board and other relevant management functions. Following this analysis, the Board can confirm that it is satisfied with the Group's external audit functions and the integrity of its financial and narrative statements.

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

Additional actions to evaluate the performance of the external auditors included: (i) a review of questionnaires that had been tailored for and completed by senior finance personnel who were exposed to the audit process within the Group to obtain their input on the effectiveness of the external audit process. The feedback was positive and showed an overall level of satisfaction, and (ii) meetings with management to discuss the performance of the external auditors without them being present.

The audit fees amounted to £350,176 (2018: £315,000) and the non-audit fees amounted to £4,727 (2018: £211,000).

A Non-Audit Services Policy drafted by the Audit Committee was formally adopted by the Board during 2019. The policy sets out the circumstances and financial limits within which the auditors may be permitted to provide certain non-audit services. The Audit Committee monitors compliance with this policy.

The Audit Committee considered whether the provision of the non-audit services during the year would impact on the objectivity and independence of the auditors taking into account the Non-Audit Services Policy and was comfortable that this work did not.

Internal audit

The Audit Committee monitors and reviews the effectiveness of the internal auditor and internal audit function, agrees the annual work plan and reviews whether the internal auditor has the proper resources to enable him to satisfactorily complete such work plans. It also reviews status reports and considers management's response to any major findings, providing support, if necessary, for any follow-up action required, and ensures that the team obtains free and unrestricted access to all Group activities, records, property and personnel necessary to fulfil its agreed objectives. To analyse audit effectiveness, the Audit Committee meets with management to discuss the performance of the internal auditor without him being present. Separate meetings are also held with the internal auditor without the presence of any member of management. The Audit Committee concluded that the internal audit function, in conjunction with the external audit, provided effective assurance over the Group's risks and controls environment and was operating effectively. There were no significant concerns raised.

Enterprise Risk Management (ERM)

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

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

As further explained on page 111, the Audit Committee appointed a new enterprise risk manager this year to enhance its approach to ERM by undertaking a thorough review of the risks threatening the business. Our ERM manager has worked with the various business functions in order to formulate: (i) functional level risk registers; (ii) an emerging risk profile; and (iii) a revised ERM framework. The Audit Committee set out both the key objectives and work plan for the ERM manager at the beginning of this process and was then involved in reviewing and challenging his output. He reports directly to the Audit Committee.

The detailed assessment of the principal risk, emerging risks and uncertainties facing the Group is included on pages 42 to 46.

Financial reporting

Prior to submission to the Board, the Audit Committee monitors the integrity of the financial statements and Annual Report and Accounts (Annual Report) and confirms that they have been properly prepared in accordance with IFRS (as adopted by the European Union) and the requirements of Guernsey law.

The Audit Committee reviews draft annual and interim reports before recommending their approval and publication to the Board. The Audit Committee discusses with the Chief Executive Officer, Chief Financial Officer and external auditors the significant accounting policies, estimates and judgments applied in preparing these reports. In relation to the 2019 financial statements, the significant issues considered were the following:

- The approach that should be taken by management in relation to the disclosure requirements under IFRS 16 and how to ensure a smooth transition of the Group's disclosure in its financial statements. The Audit Committee particularly considered the discount rates proposed by management in calculating lease liabilities with the external auditors and concluded that the disclosures in the financial statements were appropriate
- The treatment of the Group's investment in the New York joint venture. When considering this issue, the Audit Committee held discussion with management and reviewed the joint venture agreement. Following this, the Audit Committee agreed that the decisions over the joint venture were made jointly with Largo 542 West 29th Street Partners LLC. It was, therefore, concluded that the treatment of the investment in the joint venture according to the equity method and its presentation in the financial statements were appropriate

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

The Audit Committee also reviews the reports to shareholders and any other public announcement concerning the Group's financial position, corporate governance statements and statements on the Group's system of internal controls and reports its views to the Board to assist in its approval of the results announcements and the Annual Report. 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 shareholders to assess the Company's position and performance, business model and strategy.

Whistleblowing Policy

The Audit Committee is also responsible for reviewing arrangements by which staff may, in confidence, raise concerns about possible improprieties in any matters, including financial reporting, and ensuring that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action. The Company has a Whistleblowing Policy in place which was fully refreshed by the Audit Committee, approved by the Board and translated into all languages where the Company operates and offers a 24-hour hotline for all team members to call with concerns where they can speak with an English speaker or a speaker of the region's national language. This Whistleblowing Policy:

- encourages employees to report suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously and investigated as appropriate, and that their confidentiality will be respected;
- provides employees with guidance as to how to raise those concerns; and
- reassures employees that they should be able to raise genuine concerns in good faith without fear of reprisals, even if they turn out to be mistaken.

For more on the Whistleblowing Policy see page 106 in the Ethics and Compliance section.

Audit Committee attendance and meetings

The Audit Committee met five times during the year and received monthly financial updates from the Chief Financial Officer and Chief Operating Officer on the Group's performance. Attendance of the individual Directors who served on the Audit Committee throughout the year is shown in the table on page 113.

DAWN MORGAN
CHAIRWOMAN OF THE AUDIT COMMITTEE

Nigel Jones
Chairman of
Remuneration Committee

Remuneration Committee members

Dawn Morgan
Non-Executive Director

Ken Bradley
Non-Executive Director

REMUNERATION COMMITTEE'S FOCUS IN 2019

The Board's areas of focus in 2019 are expected to include:

Function	Actions in 2019
Remuneration Policy	• Reviewed Remuneration Policy
Sets targets and incentive schemes	• Reviewed and considered incentive schemes
Executive and senior management remuneration review	• Reviewed remuneration of senior management • Reviewed senior team expenses policy • Considered benchmarking exercise for executive remuneration
Workforce remuneration and benefits policies	• Reviewed team expenses policy

It is my pleasure to present the Director's Remuneration Report for the year ended 31 December 2019. As I will be retiring from the Board following the 2020 AGM, I would like to take the opportunity to thank my colleagues on the Remuneration Committee and the Board.

2020 will be our first full financial year of inclusion in the FTSE 250 Index. Accordingly, the Remuneration Committee spent much of the 2019 year assessing our current policy and introducing appropriate changes effective as of 2020 commiserate with the Company's Listed status and FTSE constituency.

As a Guernsey incorporated company, we are not required to comply with the Companies Act 2006 requirements for remuneration reporting. However, the Committee is minded of investors' expectations and takes these into consideration when formulating the remuneration policy of the Company.

As an initial step we appointed Pearl Meyer an independent external remuneration advisor in 2019, to assess the current remuneration policy against the market to ensure we are situated to attract and retain talent. Pearl Meyer is a leading advisor to Boards on Executive Compensation operating in the US, UK and EMEA markets with a range of Fortune 500 and FTSE 300 companies.

Fundamentally, our work in creating our new policy was about finding a balance: ensuring that remuneration structures are planned in a way that incentivises the team to look after the medium-to-long term interests of stakeholders when executing the Company's strategy while allowing sufficient flexibility for us to recruit and retain the best people to deliver on that strategy. Our design of the remuneration policy was focused on the strategic rational for executive pay and the links between remuneration, strategy and long-term sustainable success. When considering the policy for the executive directors and leadership team we also considered the alignment with the workforce.

As an international company, we source talent in various regions, in an increasingly competitive marketplace, so a "one-size-fits-all" approach to remuneration is not well suited for our business. We remain cognisant of best practice in the UK and the expectations of our institutional shareholders in terms of compensating our executive team, as well as the need to have in place fair employment and remuneration practices across the wider workforce.

This report provides our annual report on remuneration for 2019, however we have opted to include our 2020 policy and scheme information as the second part of this Remuneration Report.

Review of 2019

During the year, the Committee reviewed our existing approach to remuneration, alongside the Nomination Committee, and reviewed and advised on implementation of our long term succession planning programme for the Board, senior management team and in consideration of recruitment of a new Board members.

Our remuneration considerations were all viewed in light of the inclusion in the FTSE 250 and the expansion of the 2018 Code which came into effect in 2019. Given the expansion of the Committee's remit under the new version of the Code, we wanted to consider the new requirements and how they will impact our work as a Committee.

Changes in committee membership

In 2019, we welcomed one new committee member and saw one committee member step down. Kevin McAuliffe, stepped down from the committee in November 2019. Ken Bradley was appointed to the Board and joined the committee as a member in September 2019. As of the date of publication, an additional independent Non-Executive Director was appointed to the Board, Nigel Keen, who joined the Remuneration Committee, effective as of the date of his appointment.

Looking ahead in 2020

In 2020, the Committee will continue to integrate the principals of the Code in our remuneration policy while considering remuneration for Executive Directors, Company leadership and the workforce. We stand ready to consider any future Executive Director appointments that may be made during the year.

We will continue to strive to apply best practice when it comes to our remuneration policies and practices and listen carefully to feedback from our shareholders.

On behalf of the Board

NIGEL JONES
CHAIRMAN OF THE
REMUNERATION COMMITTEE

Committee Governance

The Remuneration Committee, consisted of three Non-Executive Directors in 2019, and consists of four Non-Executive Directors as of the date of this report, all of whom are considered (or were, as applicable, during their tenure) independent by the Board. There were five scheduled Committee meetings in 2019; for information on attendance, please refer to page 108.

The Chief Executive Officer, Chief Financial Officer and Chief Corporate & Legal Officer are invited to attend meetings as appropriate. 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.

The Chief Corporate & Legal Officer acts as an adviser to the Committee and Pearl Meyer was appointed to provide market data in support of a remuneration consultant to support the work of the Committee.

No member of the Committee has any personal financial interest in the matters to be decided by the Committee or involvement in the day-to-day management of the business of the Company.

Role

The Committee's terms of reference are available at www.pphe.com.

The terms of reference are regularly reviewed to ensure compliance.

Summary of the 2020 remuneration policy

A summary of the policy is included for reference to assist with the understanding of the contents of this report.

The following table sets out each element of remuneration and how it supports the Company's short- and long-term strategic objectives.

The Company considered a number of reports prepared by Pearl Meyer which were used as a guide to establish the remuneration policy going forward. The 2020 remuneration policy is primarily comprised of four main incentives being base salary, annual bonus, long term incentive plan as well as a retention bonus, details of which are included in the table below.

2020 Remuneration Policy – base salary

Purpose and link to strategy	Salaries are a key component of the reward package in attracting, motivating and retaining executives who are instrumental in driving and growing the business and delivering the Company's strategic goals.
Operation	Salaries in the Group are based on the value of the individual, the level of responsibility, experience and market conditions. Salaries are reviewed at least annually but are not necessarily increased. The Committee may award salary increases at other times of the year if it considers such an award to be appropriate. In reviewing salaries, account is taken of market conditions, significant changes in role, pay and conditions elsewhere in the Group, inflation and budgets.
Maximum	The salary payable to Executive Directors will normally be capped at the upper quartile of the relevant market benchmark for the role under review. This maximum salary represents the highest end of the range at which the Committee would expect the base salary to be set, rather than the actual amount to be paid. Salaries will be set on a case-by-case basis to reflect the role and the experience and qualifications of the individual. 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.

2020 Remuneration Policy – annual bonus

Purpose and link to strategy	The Chief Financial Officer and other members of the Leadership Team are eligible to participate in an annual bonus scheme to: • incentivise executives to drive Group strategy and performance over the short term; and • ensure that a significant proportion of the total reward of executives' packages is linked to performance during the year.
Operation	The performance period for annual bonuses corresponds with the financial year. Bonus measures, weightings and targets are set annually at the start of the financial year by the Committee which retains discretion to revise any calculated bonus if it is felt to have become misaligned with the Group's performance. Payment of the annual bonus is normally contingent on the employee still being employed by the Group at the time of payment. Annual bonus is not pensionable. The Committee may defer and pay a proportion (up to 40% of the earned annual bonus) in shares which vest after two year of grant and must be held for two years after vesting. No performance conditions apply to such deferred bonus shares, but their release is subject to continued employment over the vesting period. Deferred bonus share awards would be eligible, at the Committee's discretion, for a dividend equivalent. The bonus plan includes clawback and malus provisions.
Performance	50% of the bonus opportunity will be linked to financial performance, with the remainder linked to non- financial measures, which may include personal objectives and other non-financial operational measures as determined by the Committee, such as corporate social responsibility performance targets. However, the Committee has discretion to vary those percentages by plus or minus 10% for any year to reflect particular corporate objectives. Financial measures may include, but are not limited to, operating profit, revenue and revenue per available room. The Committee determines bonus performance measures, weightings and targets annually which are closely aligned with the Group's short-term strategic priorities. Targets for financial measures are set by reference to the Group's budget, while the personal element of the bonus is driven by personal performance objectives set at the start of the year.

Long-term incentive plan awards

A long-term incentive plan has been put in place for 2020 for our Chief Financial Officer and other members of the Leadership Team. The purpose of the new long term incentive portion of our upcoming Remuneration Policy is to ensure that remuneration is linked to the successful delivery of the Company strategy and is awarded in a formal and transparent manner.

Purpose and link to strategy	The Company's 2020 Long-Term Incentive Plan ("LTIP") forms the long-term variable element of executive remuneration at the Company and is intended to incentivise long-term outperformance. The LTIP allows for the award of performance shares and nil cost share options. LTIP awards will normally comprise awards of performance shares, which are aimed at: driving and rewarding sustainable performance over the long term; aligning the interests of executives and shareholders; and supporting retention.
Operation	Performance share awards shall normally vest on the third anniversary of the date of grant, subject to the achievement of performance conditions over three years, continued employment with the Group and the rules of the Plan. LTIP awards may additionally be subject to an additional post-vesting holding period (of up to two years). There is no re-testing of performance conditions under the Plan. The Plan allows dividends or dividend equivalents to accrue, subject to the Committee's discretion. The Plan includes clawback and malus provisions.
Performance	The performance criteria attached to the LTIP is focused on a blend of measures including total shareholder return ('TSR'), earnings growth and net asset value growth, to fully align with the performance measures of the strategic priorities of the Group.
Maximum	The maximum annual value of performance shares and nil cost share options awarded under the LTIP is 150% of base salary. The level of award is otherwise determined by the Committee at the time of grant, details of which will be disclosed in the relevant Annual Report on Remuneration.

Pension

Purpose and link to strategy	The provision of retirement benefits supports the Company in attracting and retaining executives and promoting long-term retirement planning.
Operation	A defined cash contribution may be made into either a Company sponsored pension plan or a private pension plan or as cash in lieu of pension.
Maximum	Pensions are awarded in line with the practice applicable country of employment of the relevant employee.

Other benefits

Retention bonus	The retention bonus provides an additional payment outside of base salary. It ranges in fixed amounts accruing per year with duration of the plan per individual ranging from three to five and a half years depending on the role and contribution to the delivery of the strategy.

Directors' fees

Base Fee	Fees paid to Non-Executive Directors are determined by the Board as a whole taking into account the time commitment and responsibilities. Their purpose is to attract and retain Non-Executive Directors.
Chairman fee	In the case of the Chairman and Deputy Chairman, both receive a set fee which is set by the Nomination Committee and agreed by the Board. The Chairman's fee is determined by taking into account the time commitment and responsibilities of the role, as well as the role holder's skills, gravitas and qualifications to lead the Board.
Additional fees	Non-Executive Directors are paid an additional fee for being Senior Independent Director, a member of a Board Committee and for chairing a Board Committee.
Appointment term and other matters	The Independent Non-Executive Directors each have rolling letters of appointment which may be terminated by either party on three months' notice. Non-Executive Directors are not entitled to bonuses, benefits or pension scheme contributions or to participate in any share scheme operated by the Company. In addition to any remuneration payable, a Non-Executive Director may be paid reasonable travel, hotel and other expenses properly incurred in discharging the Director's duties. Fees cease immediately in the event the Non-Executive Director ceases to be a Director. Directors are entitled to the benefits afforded by the Group's Directors and Officers Insurance.
Termination	Boris Ivesha has a rolling contract which may be terminated on 12 months' notice by the Group or on six months' notice by Boris Ivesha. Daniel Kos has a rolling contract which may be terminated on six months' notice by the Group or on three months' notice by Daniel Kos. There are provisions for earlier termination by the Group in certain specific circumstances. Each Non-Executive Director has specific terms of appointment. The Chairman's letter of appointment provides for an indefinite term. The Board believes that Eli Papouchado's extensive experience and knowledge of the Group's business, as well as the hotel business generally, justify this departure from the recommendations of the Code. Dawn Morgan's letter of appointment provides for a fixed term expiring on the sixth anniversary of her appointment, subject to re-election at each Annual General Meeting. Kevin McAuliffe's and Nigel Jones' respective letters of appointment provide for a fixed term expiring on 14 June 2021, subject to re-election at each Annual General Meeting, noting however that only Kevin McAulliffe will be standing for re-election at the 2020 Annual General Meeting. All the Non-Executive Directors' appointment letters (including the Chairman's) are subject to termination by either side on three months' notice. Other than salary and benefits in relation to the notice period, the letters of appointment contain provisions for termination by the Group in certain specific circumstances. Details of the contract dates and notice periods are set out in the table below. The letters of appointment are available for inspection at the Company's registered office.

Terms of appointment

Director	Date of appointment	Term of appointment	Notice period
Eli Papouchado	26 June 2007	Indefinite	3 months
Boris Ivesha	14 June 2007	Indefinite	12 months from Group, 6 months from Boris Ivesha
Daniel Kos	27 February 2018	Indefinite	6 months from Group, 3 months from Daniel Kos
Kevin McAuliffe	15 June 2007	14 June 2021	3 months
Nigel Jones	26 June 2007	14 June 2021	3 months
Dawn Morgan	19 May 2016	9 March 2022	3 months
Ken Bradley	4 September 2019	AGM – 2021	3 months
Nigel Keen	20 February 2020	AGM – 2021	3 months

Remuneration on recruitment

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

Termination payments

The Company's normal policy is to limit payments to Executive Directors on termination to contractual entitlements under their service agreements and the rules of any incentive and pension plans. There is no automatic entitlement to bonus as part of the termination arrangements, and the value of any terminating arrangement will be at the discretion of the Committee, having regard to all relevant factors. This Committee maintains discretion if the Committee determines the Executive Director is on good leaver status.

Annual report on remuneration

Audited information

Single total figure of remuneration for each Director in 2019

The total remuneration for each person who served as a Director of the Company during 2019 is set out in the table below:

	Position	Base salary and fees		Additional remuneration		Bonus		Pension contributions		Retention award		Other benefits		Total	
		2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Boris Ivesha	President & CEO	**426,542**	416,953	**–**	–	**–**	–	**100,000**	100,000	**–**	–	**5,107**	20,146	**531,649**	537,099
Daniel Kos	CFO	**228,996**	181,655	**–**	–	**60,000**	39,859	**13,131**	11,956	**52,526**	21,258	**–**	–	**354,653**	254,729
Eli Papouchado	Non-Executive Chairman	**200,000**	200,000	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**200,000**	200,000
Kevin McAuliffe	Non-Executive Deputy Chairman	**100,000**	85,927	**10,000**	–	**–**	–	**–**	–	**–**	–	**–**	–	**110,000**	85,927
Ken Bradley	Non-Executive Director	**18,100**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**18,100**	–
Nigel Jones	Senior Independent Director	**65,625**	59,624	**10,000**	–	**–**	–	**–**	–	**–**	–	**–**	–	**75,625**	59,624
Dawn Morgan	Non-Executive Director	**59,048**	51,526	**10,000**	–	**–**	–	**–**	–	**–**	–	**–**	–	**69,048**	51,526
Chen Moravsky	Non-Executive Director	**–**	21,500	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	21,500
		1,098,311	1,017,185	**30,000**	–	**60,000**	39,859	**113,131**	111,956	**52,526**	21,258	**5,107**	20,146	**1,359,075**	1,210,405

Chen Moravsky stood down as a Non-Executive Director on 12 June 2018

Ken Bradley was appointed to the Board on 4 September 2019

The CFO's remuneration is denominated in € and converted to £ at average exchange rate for presentation purposes

Mr Ivesha is a significant shareholder and therefore, the Committee is satisfied that he is appropriately incentivised to deliver the mid-to-long term strategy of the Company without additional bonus payments being awarded.

Three Non-Executive Directors received additional remuneration of £10,000 each in 2019, which related to the extra time commitments due to the Company's admission to the Premium Listing in 2018.

Options

	Number of options	Number vested as at 31 Dec 2019	Exercise price
Daniel Kos	50,000	50,000	£6.90
	25,000	8,333	£14.30

Gender pay gap

We calculate and publish our annual gender pay gap in accordance with the criteria provided by the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. As required by legislation, this information is based on snapshot of data as at 5 April 2018. Further information can be found at https://www.pphe.com/responsibility/responsible-reporting.

Our gender pay gap report, prepared for our two UK operating subsidiaries at a hotel level, reflects the industry's challenge of attracting applicants of both genders for roles where traditional gender associations exist. We are working with peers and through UKHospitality, a trade association for the UK hospitality industry, to raise awareness and promote all roles to be attractive to any gender. We have seen successes in women applying for engineering and chef roles and men going into housekeeping, meeting and event, sales and front office receptionist positions through our apprenticeship programme. This gap will close over time with continued cross-industry initiatives.

We will continue to implement strategies to minimise this gap and ensure we are doing our part to discourage the gender stigma that accompanies certain jobs within our hotels, such as housekeeping and maintenance support. Accordingly, we will continue to measure our gender pay regularly to ensure that what we are doing is having the desired effect, and if not, what we can do differently.

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

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

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

Topic	Section of the report	Page
Fair view of the Company's business	Strategic Report	2 to 89
Principal risks and uncertainties	Strategic Progress in 2019, Our Approach to Risk Management and Principal Risks and Uncertainties	36 to 46
Strategy	Strategic Report	18 and 19, 36 and 37
Business Model	Our Business Model	18
Important events impacting the business	Strategic Report	2 to 89
Likely future developments	Strategic Report	32 to 35
Financial key performance indicators	Highlights	Highlights
Non-financial key performance indicators	Stakeholder engagement, team member engagement	74 to 79
Environmental matters	Responsible Business	80 to 89
Company's employees	Highlights	Highlights
Social, community and human rights issues	Responsible Business	80 to 89
S172 and relationship with suppliers, customers and others	Chairman's statement	9
Greenhouse gas emissions	Responsible Business	88
Directors' induction and training	Directors' induction	98

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

Gender breakdown of Board and Leadership	Diversity	102
Ethnic background of Board and Leadership	Diversity	102
Diversity characteristics of Board and Leadership	Diversity	102

Appointment and replacement of Directors

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

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

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

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

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

Share capital

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

Shares

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

The following limitations on voting rights of shareholders apply:

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

The following deadlines for exercising voting rights apply:

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

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

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

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

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

Articles

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

Substantial share interest

The table provided on page 124 shows shareholders holding 5% or more of the issued share capital (excluding treasury shares) as at 31 January 2020.

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 21 February 2020.

Number of issued shares	44,347,410
Shares held in treasury by the Group	1,888,070
Number of issued shares (excluding treasury)	42,459,340

Shareholders with holding 5% or more of the Company's issued share capital (excluding treasury) as at 21 February 2020.

	Number of Ordinary Shares	Percentage of the Company's issued share capital[1]
Eli Papouchado[2]	13,760,260	32.41
Boris Ivesha[3]	4,636,974	10.92
Aroundtown Property Holdings	2,605,507	6.14
Canaccord Genuity Group Inc	2,183,750	5.14

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

Controlling shareholders

The Company's immediate controlling shareholders are Euro Plaza Holdings B.V. and Walford Investments Holdings Limited ("Walford"). Euro Plaza is ultimately controlled by Eli Papouchado, acting in his capacity as trustee of an endowment created under Israeli law ("the Endowment"). Walford is ultimately controlled by Clermont Corporate Services Limited ("Clermont"), a professional corporate trustee in its capacity as trustee of certain trusts established for the benefit of Boris Ivesha and his family. As required under Listing Rule 9.2.2 R(1), the Company has entered into separate relationship agreements with: (i) Euro Plaza and Eli Papouchado (acting in his capacity as trustee of the Endowment) and (2) Walford and Clermont, which as a concert party hold 62,69% of the issued share capital of the Company.

The Company has complied with the undertakings in Listing Rule 6.5.4R and Listing Rule 9.2.2ADR(1) since admission to the Premium Listing segment. So far as the Company is aware, these undertakings have also been complied with by Euro Plaza, Eli Papouchado, acting in his capacity as trustee of the Endowment, Walford and Clermont since admission.

In accordance with the relationship agreements entered into the Company's controlling shareholders, each of Euro Plaza and Walford is entitled to appoint representatives to the Board of the Company. Mr Eli Papouchado is cleared to be the representative of Euro Plaza and Mr Boris Ivesha is cleared to be the representative of Watford for these purposes.

DTR disclosures

Eli Papouchado is deemed to be interested in 13,760,260 ordinary shares, which constitutes 32.41% of the issued share capital (excluding treasury shares) of the Company:

- 12,207,843 ordinary shares held by Euro Plaza;
- Euro Plaza is an indirect wholly-owned subsidiary of A.P.Y. Investments & Real Estate Ltd ('APY'). 98% of the shares in APY are held by Eli Papouchado;
- 22,417 ordinary shares held by Red Sea Club Limited, a subsidiary of APY; and
- 1,530,000 ordinary shares held by A.A. Papo Trust Company Limited, which is wholly-owned by Eli Papouchado.

Boris Ivesha is deemed to be interested in 4,636,974 ordinary shares, which constitutes 10.92% of the issued share capital (excluding treasury shares) of the Company. The shares are held by Walford which is wholly owned by Clermont, as trustee of certain trusts established for the benefit of Boris Ivesha and his family.

Eli Papouchado, Euro Plaza, APY and A.A. Papo Trust Company Limited and other parties related to him (together the "Red Sea Parties") and Walford, Clermont, Boris Ivesha and other parties related to him (together the "Ivesha Parties") are a party to a shareholders agreement dated 14 March 2013 (as amended from time to time) (the "Shareholders Agreement"). Pursuant to the Shareholders Agreement, it has been agreed that for so long as, inter alia, the combined interests of the Ivesha Parties and the Red Sea Parties in the Company are not less than 30% and the Red Sea Parties' interest in the Company is at least 20% of the share capital then in issue (excluding, in both cases, shares held in treasury), on any shareholder resolution all shares held by the Ivesha Parties shall be voted in a manner which is consistent with the votes cast by, or on behalf of, the Red Sea Parties in respect of that resolution. As a result, the Red Sea Parties are all considered to be interested in the shares in which the Ivesha Parties are interested.

Article 19 of the Market Abuse Regulation

The interests of each Director disclosed to the Company under Article 19 of the Market Abuse Regulation as at the end of the financial year are set out above.

There have been no changes in the interests of each Director in the period between the end of the financial year and 26 February 2020.

Listing Rule 9.8.4R

The following table is disclosed pursuant to Listing Rule 9.8.4R. The table sets out only those sections of Listing Rule 9.8.4R which are applicable to the Company. The information required to be disclosed can be located in the Annual Report at the references set out below:

Section	Information	Location
4	Details of long-term incentive schemes	Note 13 to the consolidated financial statements
10	Contracts of significance	Notes 14 and 30 to the consolidated financial statements
11	Provision of services by a controlling shareholder	Note 30 to the consolidated financial statements
14	Controlling shareholder statement	Directors' Report

DTR 7.2.8

The following table is disclosed pursuant to Listing Rule 7.2.

Requirement	Page
Diversity Policy	103

Auditors

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Going concern

The Board believes it is taking all appropriate steps to support the sustainability and growth of the Group's activities. Detailed budgets and cash flow projections have been prepared for 2019 and 2020 which show that the Group's hotel operations will be cash generative during the period. We have assessed the viability of the Group over a three-year period to 31 December 2022, as set out on page 47. The Directors have determined that the Company is likely to continue in business for at least 12 months from the date of this Annual Report. This, taken together with their conclusions on the matters referred to below and in Note 1(c) to the consolidated financial statements, has led the Directors to conclude that it is appropriate to prepare the 2019 consolidated financial statements on a going concern basis.

Financial risk management objectives and policies

In addition, Note 31 to the consolidated financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

Directors' responsibilities

The Directors are required to prepare the Annual Report and the consolidated financial statements for each financial year to give a true and fair view of the state of affairs of the Company and the undertakings included in the consolidation taken as a whole as at the end of the financial year, and of the profit or loss for that year.

In preparing the consolidated financial statements, the Directors should:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the consolidated financial statements. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the consolidated financial statements have been properly prepared in accordance with the Law. The Directors are responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' declaration

So far as each of the Directors, who is a director at the time the Directors' Report is approved, is aware, there is no relevant audit information of which the Company's auditor is unaware and each has taken all the steps he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' responsibility statement

Each of the directors named on pages 92 and 93 confirms to the best of his or her knowledge that:

(i) the consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and

(ii) the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face, and provides information necessary for shareholders to assess the Company's performance, business model and strategies.

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board by

BORIS IVESHA
PRESIDENT &
CHIEF EXECUTIVE OFFICER

DANIEL KOS
CHIEF FINANCIAL OFFICER
& EXECUTIVE DIRECTOR
26 FEBRUARY 2020

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of PPHE Hotel Group Limited (the Company) and its subsidiaries (together, the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements:

1. give a true and fair view of the financial position of the Group as at 31 December 2019 and of its financial performance and its cash flows for the year then ended;
2. have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union; and
3. have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), including the Crown Dependencies' Audit Rules and Guidance, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2019. 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 matter 2019

1. Adoption of International Financial Reporting Standard 16, Leases (IFRS 16)

As discussed in Notes 2 and 19 to the consolidated financial statements, the Group adopted IFRS 16, Leases, on 1 January 2019. As part of the adoption, the Group recognized lease liabilities and assets for leases with an initial term greater than twelve months. Upon adoption, the new operating lease liabilities recognized with corresponding right-of-use assets were approximately £39 million, which were in addition to the then existing finance lease liabilities of approximately £188 million and corresponding right-of-use assets of approximately £183 million. We identified the evaluation of the adoption of IFRS 16 as a key audit matter. Evaluating the Group's application of the IFRS 16 transition guidance and assessing the amounts at which the lease liabilities and assets were recognized and disclosed required subjective auditor judgment. Specifically, a high degree of auditor judgment was required in evaluating 1) the estimates and judgments associated with the lease adoption, 2) the transition impact for existing finance leases, and 3) the lease disclosures.

How our audit addressed the matter

- In auditing the impact of IFRS 16 on the Group, the primary procedures we performed included the following:
- We obtained an understanding of the Group's implementation process for the adoption of IFRS 16, including an understanding of the changes to the Group's administrative and accounting processes and internal controls.
- We evaluated the analyses of contracts prepared by the Group in order to identify lease arrangements that are in the scope of IFRS16 and compared such analyses to the underlying contracts on a sample basis.
- We assessed and tested, on a sample basis, the calculation of the lease liabilities and corresponding right-of-use assets as presented and disclosed in the Group's consolidated financial statements.
- We assessed, with the assistance of our internal valuation specialists, the reasonability of the assumptions used by the Group's external specialist in determining the incremental borrowing rates that were used to calculate the present value of the future lease payments.
- We evaluated and tested the appropriateness of the transition guidance applied in respect of finance leases that were in existence at the date of adoption of IFRS16.
- We assessed the disclosures included in the consolidated financial statements for compliance with the requirements of IFRS 16.

2. Decentralised operations

PPHE Hotel Group is a Group with more than 100 legal entities (together, the Group), grouped in four reportable segments. The geographical decentralised structure, multiplicity of IT systems and the number of Group entities (components) increase the complexity of the Group's control environment and thus, effects our ability as Group auditor to obtain an appropriate level of understanding of these components. Also in our role as Group auditor it is essential that we obtain an appropriate level of understanding of the significant components in the Group and the audit work performed by the component's auditors.

How our audit addressed the matter

We have evaluated the Group's internal controls, including the centralised monitoring controls that exist at both Group and segment level. The Group has developed an internal control framework with control activities that are required to be implemented by the components. Management continually reviews its systems and procedures for improvements and harmonisation across the Group.

During our audit, we have specifically focused on risks in relation to the decentralised structure and, as a result, we have extended our involvement in audit work performed by the components' auditors. Among other audit procedures, we organised 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, both at Group and component level to obtain an understanding of significant entries made.

Other information included in the Group's 2019 Annual Report

Other information consists of the information included in the 2019 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:

1. 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;
2. 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;
3. evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
4. 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;
5. 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
6. obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and Regulatory Requirements:

Pursuant to Section 9.8.10 (1) and (2) of the Listing Rules in the United Kingdom, we were engaged to review Management's statement pursuant to Section 9.8.6 R (6) of the Listing Rules of the Financial Conduct Authority that relate to provisions 6 and 24 to 29of the UK Corporate Governance Code and Management Board's statement pursuant to Section 9.8.6 R (3) of Listing Rules of the Financial Conduct Authority in the financial year 2019 included in the 'Viability statement' of management report and in the section 'Going concern reporting according to the UK Corporate Governance Code'. We have no exceptions to report.

The partner in charge of the audit resulting in this independent auditor's report is Chen Shein.

CHEN SHEIN
(FOR AND ON BEHALF OF KOST FORER GABBAY & KASIERER, MEMBER OF ERNST & YOUNG GLOBAL)
TEL AVIV, ISRAEL
26 FEBRUARY 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December **2019** **£'000**	 2018 £'000
Assets			
Non-current assets:			
Intangible assets	4	**18,036**	21,463
Property, plant and equipment	5	**1,113,661**	1,270,785
Right-of-use assets	19	**217,990**	–
Investment in joint ventures	6	**18,151**	4,346
Other non-current assets	7	**18,358**	18,027
Restricted deposits and cash	14(b)	**1,841**	1,884
Deferred income tax asset	27	**5,173**	95
		1,393,210	1,316,600
Current assets:			
Restricted deposits and cash	14(b)	**3,541**	3,672
Inventories		**2,317**	2,481
Trade receivables	8	**12,758**	15,324
Other receivables and prepayments	9	**15,065**	12,016
Other current financial assets	10	**5,221**	4,449
Cash and cash equivalents	11	**153,029**	207,660
		191, 931	245,602
Total assets		**1,585,141**	1,562,202
Equity and liabilities			
Equity:	12		
Issued capital		**–**	–
Share premium		**130,260**	130,061
Treasury shares		**(3,636)**	(3,636)
Foreign currency translation reserve		**8,094**	23,131
Hedging reserve		**(655)**	(437)
Accumulated earnings		**243,233**	224,373
Attributable to equity holders of the parent		**377,296**	373,492
Non-controlling interests		**103,465**	105,050
Total equity		**480,761**	478,542
Non-current liabilities:			
Borrowings	15	**664,945**	681,981
Provision for litigation	16(a)	**–**	3,873
Provision for concession fee on land	16(b)	**4,730**	4,330
Financial liability in respect of Income Units sold to private investors	17	**126,704**	129,151
Other financial liabilities	18,19	**228,973**	188,269
Deferred income taxes	27	**7,920**	7,115
		1,033,272	1,014,719
Current liabilities:			
Trade payables		**10,466**	12,162
Other payables and accruals	20	**47,326**	41,469
Borrowings	15	**13,316**	15,310
		71,108	68,941
Total liabilities		**1,104,380**	1,083,660
Total equity and liabilities		**1,585,141**	1,562,202

The accompanying notes are an integral part of the consolidated financial statements. Date of approval of the financial statements 26 February 2020. 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

	Note	Year ended 31 December 2019 £'000	2018 £'000
Revenues	21	**357,692**	341,482
Operating expenses	22	**(233,024)**	(220,775)
EBITDAR		**124,668**	120,707
Rental expenses		**(1,774)**	(7,535)
EBITDA		**122,894**	113,172
Depreciation and amortisation	4, 5, 19	**(41,749)**	(35,903)
EBIT		**81,145**	77,269
Financial expenses	23	**(32,089)**	(31,986)
Financial income	24	**2,923**	1,568
Other expenses	25	**(5,110)**	(10,688)
Other income	25	**2,225**	20,394
Net expenses for financial liability in respect of Income Units sold to private investors	26	**(10,795)**	(10,318)
Share in results of joint ventures	6	**178**	144
Profit before tax		**38,477**	46,383
Income tax benefit (expense)	27	**4,105**	(2,951)
Profit for the year		**42,582**	43,432
Profit attributable to:			
Equity holders of the parent		**33,915**	38,052
Non-controlling interests		**8,667**	5,380
		42,582	43,432
Basic and diluted earnings per share (in Pound Sterling)	28	**0.80**	0.90

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	£'000	£'000
Profit for the year	**42,582**	43,432
Other comprehensive income (loss) to be recycled through profit and loss in subsequent periods:*		
Profit (loss) from cash flow hedges	**(423)**	(212)
Reclassification to the income statement of cash flow hedge results upon discontinuation of hedge accounting	**–**	(46)
Foreign currency translation adjustments of foreign operations	**(20,958)**	6,515
Other comprehensive income (loss)	**(21,381)**	6,257
Total comprehensive income	**21,201**	49,689
Total comprehensive income attributable to:		
Equity holders of the parent	**18,580**	42,232
Non-controlling interests	**2,621**	7,457
	21,201	49,689

* There is no other comprehensive income that will not be reclassified to the profit and loss in subsequent periods.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In £'000	Issued capital[1]	Share premium	Treasury shares	Foreign currency translation reserve	Hedging reserve	Accumulated earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance as at 1 January 2018	–	129,878	(3,636)	18,816	(302)	198,599	343,355	97,593	440,948
Profit for the year	–	–	–	–	–	38,052	38,052	5,380	43,432
Other comprehensive income (loss) for the year	–	–	–	4,315	(135)	–	4,180	2,077	6,257
Total comprehensive income	–	–	–	4,315	(135)	38,052	42,232	7,457	49,689
Share-based payments	–	183	–	–	–	–	183	–	183
Dividend distribution[2]	–	–	–	–	–	(12,278)	(12,278)	–	(12,278)
Balance as at 31 December 2018	**–**	**130,061**	**(3,636)**	**23,131**	**(437)**	**224,373**	**373,492**	**105,050**	**478,542**
Profit for the year	–	–	–	–	–	33,915	33,915	8,667	42,582
Other comprehensive income (loss) for the year	–	–	–	(15,117)	(218)	–	(15,335)	(6,046)	(21,381)
Total comprehensive income	–	–	–	(15,117)	(218)	33,915	18,580	2,621	21,201
Share-based payments	–	199	–	–	–	–	199	–	199
Dividend distribution[2]	–	–	–	–	–	(15,263)	(15,263)	–	(15,263)
Dividend distribution by a subsidiary	–	–	–	–	–	–	–	(1,454)	(1,454)
Refund of cost in connection with prior year transactions with non-controlling interest	–	–	–	–	–	290	290	250	540
Transactions with non-controlling interests (Note 6)	–	–	–	80	–	(82)	(2)	(3,002)	(3,004)
Balance as at 31 December 2019	–	130,260	(3,636)	8,094	(655)	243,233	377,296	103,465	480,761

1 No par value.

2 The dividend distribution comprises a final dividend for the year ended 31 December 2018 of 19.0 pence per share (31 December 2017: 13.0 pence per share) and an interim dividend of 17 pence per share paid in 2019 (2018: 16.0 pence per share).

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2019 £'000	2018 £'000
Cash flows from operating activities:			
Profit for the year		**42,582**	43,432
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		**42,884**	41,625
Financial income	24	**(2,023)**	(1,568)
Income tax charge (benefit)	27	**(4,105)**	2,952
Loss on buy-back of Income Units sold to private investors	25	**694**	601
Release of deposit from unit holder	25	**–**	(68)
Remeasurement of lease liability	25	**3,359**	4,822
Revaluation of Park Plaza County Hall London Units	7	**(923)**	–
Write off unamortised discount on early repayment of loan		**–**	314
Capital loss, net	25	**92**	–
Loss (gain) from marketable securities	23, 24	**(900)**	679
Share in results of Joint Ventures	6	**(178)**	(144)
Gain on re-measurement of previously held interest in Joint Venture	3	**–**	(20,280)
Release of provision for litigation	16a	**(1,093)**	–
Depreciation and amortisation	4, 5, 19	**41,749**	35,903
Share-based payments		**199**	183
		79,755	65,019
Changes in operating assets and liabilities:			
Decrease in inventories		**68**	257
Increase in trade and other receivables		**(40)**	(922)
Increase (decrease) in trade and other payables		**2,043**	(5,659)
		2,071	(6,324)
Cash paid and received during the period for:			
Interest paid		**(44,664)**	(42,778)
Interest received		**1,412**	1,448
Taxes paid		**(1,748)**	(4,183)
Taxes received		**743**	-
		(44,257)	(45,513)
Net cash provided by operating activities		**80,151**	56,614
Cash flows from investing activities:			
Investments in property, plant and equipment	5	**(72,422)**	(67,251)
Purchase of remaining interest in previously held Joint Venture	3	**–**	(34,549)
Proceeds from sale of property	25	**98**	–
Loan to third party		**(591)**	–
Investment in Joint Venture	6	**(13,650)**	–
Purchase plot of land nearby Waterloo Station	5	**(12,582)**	–
Decrease (increase) in restricted cash		**109**	(1,410)
Decrease in marketable securities, net		**126**	19,582
Release of restricted deposit		**–**	22,000
Net cash used in investing activities		**(98,912)**	(61,628)

The accompanying notes are an integral part of the consolidated financial statements.

	Year ended 31 December 2019 £'000	2018 £'000
Cash flows from financing activities:		
Proceeds from loans and borrowings	**9,600**	61,330
Buy-back of Income Units previously sold to private investors	**(1,622)**	(1,710)
Repayment of loans and borrowings	**(15,455)**	(78,096)
Repayment of leases	**(3,385)**	–
Net proceeds from transactions with non-controlling interest	**(3,004)**	–
Refund of cost in connection with prior year transactions with non-controlling interest	**540**	–
Dividend payment	**(15,263)**	(12,278)
Dividend payment by a subsidiary	**(1,454)**	–
Net cash used in financing activities	**(30,043)**	(30,754)
Increase (decrease) in cash and cash equivalents	**(48,804)**	(35,768)
Net foreign exchange differences	**(5,827)**	2,407
Cash and cash equivalents at beginning of year	**207,660**	241,021
Cash and cash equivalents at end of year	**153,029**	207,660

Non-cash items:		
Lease additions and lease remeasurement	**5,946**	–
Outstanding payable on investments in property, plant and equipment	**–**	372

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 General

a. The consolidated financial statements of PPHE Hotel Group Limited (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2019 were authorised for issuance in accordance with a resolution of the Directors on 26 February 2020.

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. It is also a constituent of the FTSE 250.

b. Description of the Group business:
The Group is an international hospitality real estate group, which owns, co-owns and develops hotels, resorts and campsites, operates the Park Plaza® brand in EMEA and owns and operates the art'otel® brand.

The Group has interests in hotels in the United Kingdom, the Netherlands, Germany and Hungary, and hotels, self-catering apartment complexes and campsites in Croatia.

c. Assessment of going concern:
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 have been prepared for 2020 and 2021 which show that the Group's hotel operations will be cash generative during the period. The Directors have determined that the Company is likely to continue in business for at least 12 months from the date of the consolidated financial statements.

Note 2 Summary of significant accounting policies

a. Basis of preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments and investments in marketable securities which are measured at fair value. The consolidated financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand (£'000) except where otherwise indicated.

Statement of compliance:
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee (IFRIC) and adopted by the European Union.

The accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2019 and 2018 are set out below. These accounting policies have been consistently applied to the periods presented, except where otherwise indicated.

b. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, income and expenses, and profits and losses resulting from intra-Group transactions are eliminated in full. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date on which such control ceases.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

c. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Acquisition of companies that are not business combinations
At the acquisition date of companies and groups of assets, the Company determines whether the transaction constitutes an acquisition of a business in a business combination transaction pursuant to IFRS 3. If the acquisition does not constitute a business as defined in IFRS 3, the cost of purchase is allocated only to the identifiable assets and liabilities of the acquired Company on the basis of their relative fair values at the date of purchase and including any minority interest according to its share of the fair value of net identifiable assets at the acquisition date.

Note 2 Summary of significant accounting policies continued

In determining whether a business was acquired, the Company evaluates whether the entity which was acquired is an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return to investors. The following criteria which indicate acquisition of a business are considered: the variety of assets acquired; the extent to which ancillary services to operate the property are provided; and the complexity of the management of the property.

Estimates and assumptions

The key assumptions made in the consolidated financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group for which there is a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group bases its assumptions and estimates on parameters available when the consolidated financial statements are prepared. However, these parameters may change due to market changes or other circumstances beyond the control of the Group. Such changes are reflected in the assumptions and estimates when they occur.

Deferred tax assets

Deferred tax assets are recognised for unused carry forward tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. The amount of deferred tax assets that can be recognised is based upon the likely timing and level of future taxable profits together with future tax planning strategies. Additional information is provided in Note 27.

d. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments is measured at fair value with the changes in fair value recognised in the income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

e. Business combinations involving entities under common control

The Group accounts for business combinations that include entities under common control using the acquisition method provided that the transaction has substance.

f. Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate or joint venture. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Note 2 Summary of significant accounting policies continued

The income statement reflects the share of the results of operations of associates and joint ventures. The Group's share of changes in other comprehensive income of associates or joint venture is recognised in the statement of comprehensive income. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate or a joint venture is shown on the face of the income statement outside EBIT and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate and joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share in result of associate and joint ventures' in the income statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

g. Foreign currency translation

The functional currency of the Company is Pound Sterling. The consolidated financial statements are also presented in Pound Sterling.

Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the rates prevailing on the reporting date. Profits and losses arising from exchange differences are included in the income statement.

The assets and liabilities of the entities whose functional currency is not Pound Sterling are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Equity items are translated at the historical exchange rates. Exchange differences arising on the translation are recognised in other comprehensive income and classified as a separate component of equity (foreign currency translation reserve). Such translation differences are recognised in the income statement in the period in which the entity is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Exchange differences in respect of loans, denominated in foreign currency which were granted by the Company to its subsidiaries are reflected in the foreign currency translation reserve in equity, as these loans are , in substance, a part of the Group's net investment in the foreign operation.

The following exchange rates in relation to Pound Sterling were prevailing at reporting dates:

	As at 31 December	
	2019 In Pound Sterling	2018 In Pound Sterling
Euro	**0.852**	0.897
Hungarian Forint	**0.003**	0.003
Croatian Kuna	**0.114**	0.121

Percentage increase (decrease) in exchange rates during the year:

	As at 31 December	
	2019 %	2018 %
Euro	**(5.1)**	1.1
Hungarian Forint	**(7.6)**	(2.5)
Croatian Kuna	**(5.4)**	2.4

Note 2 Summary of significant accounting policies continued

h. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised using the straight-line method over their estimated useful life and assessed for impairment whenever there is an indication that the intangibles may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense for intangible assets is recognised in the income statement.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and recognised in the income statement when the asset is derecognised.

i. Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method, over the shorter of the estimated useful life of the assets or the lease term as follows:

	Years
Hotel buildings	**50 to 95**
Furniture and equipment	**2 to 25**

The costs of maintaining property, plant and equipment are recognised in the income statement as they are incurred. Costs incurred that significantly increase the recoverable amount of the asset concerned are added to the asset's cost as an improvement and depreciated over the expected useful life of the improvement.

An item of property, plant and equipment, and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

j. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the asset is considered impaired and the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been determined had no impairment loss been previously recognised for the asset (cash-generating unit). A reversal of an impairment loss is recognised as income immediately.

k. Financial instruments

In July 2014, the IASB issued the final and complete version of IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 mainly focuses on the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group initially adopted IFRS 9 on 1 January 2018. The provisions of IFRS were applied retrospectively without restatement of comparative data.

The adoption of IFRS 9 did not have a material effect on the consolidated financial statements. The Group continues to measure at amortised cost and fair value those financial instruments it previously held at amortised cost and fair value, respectively.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Note 2 Summary of significant accounting policies continued

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective of holding financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables and loans to joint ventures.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets that are debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

This category includes derivative instruments and listed equity investments. Dividends on listed equity investments are recognised as other income in the income statement when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The adoption of IFRS 9 changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Note 2 Summary of significant accounting policies continued

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, as measured at amortised cost (loans and borrowings and payables) or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as financial expenses in the income statement.

This category generally applies to interest-bearing loans and borrowings.

Financial liability in respect of Income Units sold to private investors

In 2010, the construction of Park Plaza Westminster Bridge London was completed and the hotel opened to paying customers. Out of 1,019 rooms, 535 rooms ('Income Units') were sold to private investors under a 999-year lease. The sales transactions are accounted for as an investment scheme in which the investors, in return for the upfront consideration paid for the Income Units, receive 999 years of net income from a specific revenue-generating portion of an asset (contractual right to a stream of future cash flows). The amounts received upfront are accounted for as a floating rate financial liability and are being recognised as income over the term of the lease (i.e. 999 years). Changes in future estimated cash flows from the Income Units are recognised in the period in which they occur. Since November 2014, the Company has bought back 31 Income Units from private investors. Upon buy-back of a unit, the financial liability relating to that unit is derecognised and any difference between the purchase price and the liability derecognised is recorded in profit and loss.

On completion of each sale of Income Units, the Company, through a wholly owned subsidiary, Marlbray Limited ('Marlbray'), entered into income swap agreements for five years with the private investors. The income swap agreements included an obligation of the investors to assign the right to receive the net income derived from the Income Units to Marlbray and an undertaking by Marlbray to pay to the investors an annual rent guarantee of approximately 6% of the purchase price for a five-year period commencing from the date of the completion of the sale. The income swap has been accounted for as a derivative. In 2015, Marlbray entered into 56 new income swap agreements for a further five years from the expiry date of the original income swap agreements on the same terms and conditions. In 2019 the company bought back one unit with a fixed rent guarantee and the swap agreement for this unit was terminated.

The entire hotel is accounted for at cost less accumulated depreciation.

The replacement costs for the Income Units are fully reimbursed by the private investors. An amount of 4% of revenues is paid by the investors on an annual basis ('FF&E reserve') and is accounted for in profit and loss. The difference between the actual depreciation cost and the FF&E reserve is a timing difference which is recorded in the statement of financial position as a receivable or liability to the investor in each respective year.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Note 2 Summary of significant accounting policies continued

1. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

l. Inventories

Inventories include china, food and beverages and are valued at the lower of cost and net realisable value. Cost includes purchase cost on a first in first out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

m. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

n. Derivative financial instruments and hedge accounting

As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument in a cash flow hedge is recognised directly in Other Comprehensive Income, while the ineffective portion is recognised in profit or loss. Amounts taken to OCI are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised.

o. Revenue from contracts with customers

The IASB issued IFRS 15 Revenue from Contracts with Customers in May 2014. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations, and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. IFRS 15 also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. The Group elected to apply IFRS 15 only to contracts that were not completed at this date. The adoption of IFRS 15 did not have a material effect on the consolidated financial statements.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Owned, co-owned and leased hotels

Revenues are primarily derived from hotel operations, including the rental of rooms, food and beverage sales and other services from owned,
co-owned and leased hotels operated under the Group's brand names. Revenue is recognised when rooms are occupied, food and beverages are sold and services are performed.

Management fees

Earned from hotels managed by the Group, under long-term contracts with the hotel owner. Management fees include a base fee, which is generally a percentage of hotel revenue, and an incentive fee, which is based on the hotel's profitability. Revenue is recognised when earned and realised or realisable under the terms of the agreement.

Note 2 Summary of significant accounting policies continued

Franchise fees

Received in connection with a licence of the Group's brand names, under long-term contracts with the hotel owner. The Group charges franchise fees as a percentage of hotel revenue. Revenue is recognised when earned and realised or realisable under the terms of the agreement.

Marketing fees

Received in connection with the sales and marketing services offered by the Group, under long-term contracts with the hotel owner. The Group charges marketing fees as a percentage of hotel revenue. Revenue is recognised when earned and realised or realisable under the terms of the agreement.

Customer loyalty programme

The Group participates in the Radisson Rewards™ customer loyalty programme to provide customers with incentives to buy room nights. This customer loyalty programme is owned and operated by the Radisson Hotel Group and therefore the entity retains no obligations in respect of the award credits other than to pay the programme operator for the granted award credits. The customers are entitled to utilise the awards as soon as they are granted.

The Group purchases these award credits from Radisson Hotel Group and issues these to its customers in order to enhance its customer relationships rather than to earn a margin from the sale of these award credits. The Group concluded that it is acting as principal in this transaction and, in substance, is earning revenue from supplying these awards to its customers. The Group measures these revenues at fair value and recognises these gross from the costs of participating in the programme.

Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability (advance payments received) is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

p. Key performance indicators

EBITDAR

Earnings before interest, tax, depreciation, amortisation, impairment loss and rental expenses, share of associate and exceptional items presented as other income and expense (EBITDAR) correspond to revenue less cost of revenues (operating expenses). EBITDAR, together with EBITDA, is used as a key performance indicator.

EBITDA

Earnings before interest, tax, depreciation and amortisation, impairment loss, exceptional items presented as other income and expense (EBITDA) correspond to gross profit after the operating costs of holding leased hotels.

EBIT

Earnings before interest, tax and exceptional items presented as other income and expense (EBIT) correspond to gross operating profit after the operating costs of holding both leased and owned assets.

q. Leases

As described in section x below regarding the initial adoption of IFRS 16, Leases, the Group elected to apply the provisions of IFRS 16 using the modified retrospective method (without restatement of comparative data).

The accounting policy for leases applied effective from 1 January 2019 is as follows:

The Group accounts for a contract as a lease when the contract terms convey the right to convey the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Land	**50 to 200**
Hotel buildings	**5 to 95**
Offices and storage	**1 to 12**
Furniture and equipment	**2 to 25**

Note 2 Summary of significant accounting policies continued

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (j) Impairment of non-financial assets.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as rent expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Other financial liabilities (see Note 18).

Variable lease payments that depend on an index:
On the commencement date, the Company uses the index rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Company is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

Variable lease payments:
Variable lease payments that do not depend on an index or interest rate but are based on performance or usage are recognized as an expense as incurred when the Company is the lessee, and are recognized as income as earned when the Company is the lessor.

Lease extension and termination options:
A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

Lease modifications:
If a lease modification does not reduce the scope of the lease and does not result in a separate lease, the Company remeasures the lease liability based on the modified lease terms using a revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

If a lease modification reduces the scope of the lease, the Company recognizes a gain or loss arising from the partial or full reduction of the carrying amount of the right-of-use asset and the lease liability. The Company subsequently remeasures the carrying amount of the lease liability according to the revised lease terms, at the revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of furniture and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

r. Employee benefits

Share-based payments
The Board has adopted a share option plan, under which employees and Directors of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in Note 13.

Note 2 Summary of significant accounting policies continued

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting, irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pension

The Group has a defined contribution pension plan where the employer is liable only for the employer's part of the contribution towards an individual's pension plan.

The Group will have no legal obligation to pay further contributions. The contributions in the defined contribution plan are recognised as an expense and no additional provision is required in the consolidated financial statements.

s. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

t. Borrowing costs for qualifying assets

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

u. Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities and changes in them relating to items recognised directly in equity or other comprehensive income are recognised in equity or other comprehensive income and not in the income statement.

Note 2 Summary of significant accounting policies continued

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

v. Treasury shares

Own equity shares held by the Group are recognised at cost and presented as a deduction from equity. Any purchase, sale, issue or cancellation of treasury shares is recognised directly in equity.

w. Earnings (loss) per share

Basic earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year attributable to shareholders of the parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

x. Changes in accounting policies and disclosures

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 (Modified retrospective method)

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). The Company elected to apply a single discount rate to a portfolio of leases with reasonably similar characteristics. The effect of adopting IFRS 16 is as follows:

Note 2 Summary of significant accounting policies continued

Impact on the consolidated statement of financial position (increase/decrease) as at 1 January 2019:

	According to the previous accounting policy £'000	The change £'000	As presented according to IFRS 16 £'000
Non-current assets:			
Prepaid leasehold payments included in other non-current financial assets	305	(305)	–
Property, plants and equipment	1,270,785	(182,972)	1,087,813
Right-of-use assets	–	221,971	221,971
Current liabilities:			
Current maturity of lease liabilities included in other payables and accruals	–	(3,671)	(3,671)
Accrued rent included in other payables and accruals	(1,858)	683	(1,175)
Non-current liabilities:			
Lease liability included in other financial liabilities	(187,701)	(35,706)	(223,407)

Impact on the consolidated income statement (increase/decrease) as at 31 December 2019:

	According to the previous accounting policy £'000	The change £'000	As presented according to IFRS 16 £'000
Operating expenses	(233,295)	271	(233,024)
Rent expenses	(6,822)	5,048	(1,774)
EBITDA	117,575	5,319	122,894
Depreciation and amortisation	(38,032)	(3,717)	(41,749)
Interest on lease liabilities	(7,114)	(2,032)	(9,146)
Profit before tax	38,907	(430)	38,477

Note 2 Summary of significant accounting policies continued

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items including land, buildings and equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as financial expenses) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the income statement on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets.

For leases previously classified as operating leases, the Group recognised lease liabilities for lease payments with corresponding right of-use assets representing the right to use the underlying assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application, which ranged between 2.2% and 3.6%

For leases previously classified as finance leases, the Group reclassified the outstanding balance of the leased assets from Property, plant and equipment to Right-of-use assets. The carrying amount of the finance lease liability remained unchanged.

In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of initial application and, accordingly, the comparative information in these consolidated financial statements has not been restated.

See section q earlier in note 2 for the new accounting policy of the Group as of 1 January 2019 upon adoption of IFRS 16.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The Group applies significant judgment in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. The Interpretation did not have an impact on the consolidated financial statements of the Group.

y. 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 IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IFRS 7 and IAS 39:

In September 2019, the IASB published an amendment to IFRS 9, Financial Instruments, IFRS 7, Financial Instruments: Disclosures and IAS 39, Financial Instruments: Recognition and Measurement ('the Amendment').

In view of global regulatory changes, numerous countries have considered introducing a reform in the benchmark Interbank Offered Rates ('IBORs') (LIBOR, the London Interbank Offered Rate, being one of the most common examples) and switching to a risk-free interest rate alternative ('RFRs') which extensively rely on data of specific transactions. The IBOR reform leads to uncertainty regarding the dates and amounts to be attributed to future cash flows relating to both hedging instruments and hedged items that rely on existing IBORs. In order to resolve this uncertainty, the IASB issued the Amendment to offer transitional reliefs for entities that apply IBOR-based hedge accounting.

The Amendment is to be applied retrospectively for annual periods beginning on or after 1 January 2020. Early adoption is permitted. The adoption of the Amendment is not expected to have a significant effect on the Group's consolidated financial statements.

Note 3 Business combination

Acquisition of joint venture interest in London

In March 2018, the Group purchased from its joint venture partner the remaining 50% interest in a joint venture company, Aspirations Limited ('Aspirations'), for a consideration of £35 million. Aspirations owns a property located in Hoxton, London on which it plans to re-develop and construct a mixed-use scheme consisting of the 343-room art'otel london hoxton, office and commercial space and ancillaries. As this acquisition resulted in the Group obtaining control of Aspirations, the Group re-measured its previously held 50% equity interest after the acquisition date. As a result, the fair value of the entire site (100%) was valued at £70 million and a gain of £20.3 million was recognised in other income.

The fair values of identifiable assets and liabilities of Aspirations at the date of acquisition were as follows:

	Fair Value £'000
Property, plant and equipment	69,512
Trade receivables	41
Cash and cash equivalents	438
	69,991
Trade payables	(17)
	(17)
Net assets	69,974
Total consideration	34,987
Fair value of previously held interest (50%)	34,987
	69,974
Carrying amount of previously held interest	(14,707)
Fair value previously held interest	(34,987)
Gain on re-measurement of previously held interest	20,280
Cash flow on acquisition	
Cash acquired with the subsidiary	438
Cash paid	(34,987)
Net cash outflow	(34,549)

From the date of acquisition until the end of the year 2018, the revenues and profit before tax of Aspirations were immaterial.

If the acquisition had taken place as of 1 January 2018, the effect on revenues and profit before tax of the Group would have been immaterial.

Note 4 Intangible assets

	Park Plaza® Hotels & Resorts management rights (a)[1] £'000	Park Plaza® Hotels & Resorts franchise rights (a)[2] £'000	art'otel® franchise rights (b) £'000	Other intangible assets (c) £'000	Total £'000
Cost:					
Balance as at 1 January 2018	21,238	21,712	2,638	2,212	47,800
Adjustment for exchange rate differences	237	242	29	68	576
Reclassification	–	–	–	944	944
Balance as at 31 December 2018	21,475	21,954	2,667	3,224	49,320
Accumulated amortisation:					
Balance as at 1 January 2018	11,078	11,472	1,449	231	24,230
Amortisation	1,068	1,076	132	186	2,462
Adjustment for exchange rate differences	136	142	18	21	317
Reclassification	–	–	–	848	848
Balance as at 31 December 2018	12,282	12,690	1,599	1,286	27,857
Net book value as at 31 December 2018	9,193	9,264	1,068	1,938	21,463
Cost:					
Balance as at 1 January 2019	**21,475**	**21,954**	**2,667**	**3,224**	**49,320**
Adjustment for exchange rate differences	**(1,084)**	**(1,108)**	**(135)**	**(180)**	**(2,507)**
Additions	**–**	**–**	**–**	**84**	**84**
Balance as at 31 December 2019	**20,391**	**20,846**	**2,532**	**3,128**	**46,897**
Accumulated amortisation:					
Balance as at 1 January 2019	**12,282**	**12,690**	**1,599**	**1,286**	**27,857**
Amortisation	**1,056**	**1,063**	**130**	**246**	**2,495**
Adjustment for exchange rate differences	**(649)**	**(669)**	**(84)**	**(89)**	**(1,491)**
Balance as at 31 December 2019	**12,689**	**13,084**	**1,645**	**1,443**	**28,861**
Net book value as at 31 December 2019	**7,702**	**7,762**	**887**	**1,685**	**18,036**

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 period of 20 years, based on the terms of the existing contracts and management estimation of their useful life. The remaining amortisation period is 8.5 years.

(2) Franchise rights relating to the brand 'Park Plaza® Hotels & Resorts' are included in the consolidated financial statements at their fair value as at the date of acquisition and are being amortised over 20 years, based on management's estimation of their useful life. The remaining amortisation period is 8.5 years.

b. Acquisition of art'otel® rights

In 2007, the Group acquired the worldwide rights to use the art'otel® brand name for an unlimited period of time. The rights are being amortised over 20 years based on management's estimation of their useful life. The remaining amortisation period is 8.5 years.

c. Other intangible assets

These include the brand name and internal domain obtained in the acquisition of Arena. The rights are being amortised over 20 years based on management's estimation of their useful life.

d. Impairment

In 2019, there were no indicators of impairment.

Note 5 Property, plant and equipment

	Land £'000	Hotel buildings £'000	Property & assets under construction £'000	Income Units sold to private investors* £'000	Furniture, fixtures and equipment £'000	Total £'000
Cost:						
Balance as at 1 January 2018	320,324	681,719	21,165	137,743	174,544	1,335,495
Additions during the year	1,151	33,652	10,178	1,330	21,031	67,342
Disposal (see Note 25)	–	(604)	27	–	(3,353)	(3,930)
Acquisition of subsidiary	69,512	–	–	–	–	69,512
Buy-back of Income Units sold to private investors	130	926	–	(1,104)	48	–
Reclassification	1,203	2,521	(15,532)	–	12,085	277
Adjustment for exchange rate differences	3,133	4,506	119	–	752	8,510
Balance as at 31 December 2018	395,453	722,720	15,957	137,969	205,107	1,477,206
Accumulated depreciation and impairment:						
Balance as at 1 January 2018	10,421	61,238	–	16,526	88,868	177,053
Provision for depreciation	627	13,174	–	2,355	17,277	33,433
Disposal (see Note 25)	–	(577)	–	–	(3,353)	(3,930)
Reclassifications	–	(848)	–	–	–	(848)
Buy-back of Income Units sold to private investors	–	49	–	(81)	32	–
Adjustment for exchange rate differences	45	419	–	–	249	713
Balance as at 31 December 2018	11, 093	73,455	–	18,800	103,073	206,421
Net book value as at 31 December 2018	384,360	649,265	15,957	119,169	102,034	1,270,785
Cost:						
Balance as at 31 December 2018	**395,453**	**722,720**	**15,957**	**137,969**	**205,107**	**1,477,206**
IFRS 16 adjustment	**(85,731)**	**(83,802)**	**–**	**–**	**(23,873)**	**(193,406)**
Balance as at 1 January 2019	**309,722**	**638,918**	**15,957**	**137,969**	**181,234**	**1,283,800**
Additions during the year	**15,955**	**32,047**	**5,739**	**745**	**30,514**	**85,000**
Disposal	**(44)**	**(225)**	**–**	**–**	**(1,845)**	**(2,114)**
Buy-back of Income Units sold to private investors	**109**	**775**	**–**	**(925)**	**41**	**–**
Reclassification	**–**	**6,959**	**(6,687)**	**–**	**(272)**	**–**
Adjustment for exchange rate differences	**(9,999)**	**(16,802)**	**(599)**	**–**	**(3,451)**	**(30,851)**
Balance as at 31 December 2019	**315,743**	**661,672**	**14,410**	**137,789**	**206,221**	**1,335,835**
Accumulated depreciation and impairment:						
Balance as at 31 December 2018	**11,093**	**73,455**	**–**	**18,800**	**103,073**	**206,421**
IFRS 16 adjustment	**(3,900)**	**(1,664)**	**–**	**–**	**(4,870)**	**(10,434)**
Balance as at 1 January 2019	**7,193**	**71,791**	**–**	**18,800**	**98,203**	**195,987**
Provision for depreciation	**324**	**12,743**	**–**	**2,546**	**15,692**	**31,305**
Disposal	**–**	**(124)**	**–**	**–**	**(1,800)**	**(1,924)**
Buy-back of Income Units sold to private investors	**–**	**41**	**–**	**(68)**	**27**	**–**
Adjustment for exchange rate differences	**(156)**	**(1,745)**	**–**	**–**	**(1,293)**	**(3,194)**
Balance as at 31 December 2019	**7,361**	**82,706**	**–**	**21,278**	**110,829**	**222,174**
Net book value as at 31 December 2019	**308,382**	**578,966**	**14,410**	**116,511**	**95,392**	**1,113,661**

* This includes 508 rooms ('Income Units') (2018: 512) in Park Plaza Westminster Bridge London, for which the cash flows, derived from the net income generated by these Income Units, were sold to private investors (see Note 2(k)). The proceeds from the purchases have been accounted for as a variable rate financial liability (see Note 17). See Note 7 for information regarding income swap agreements in respect of certain of these Income Units.

a. **For information regarding liens, see Note 14.**

b. **Land acquisition**
In November 2019, the Group acquired the freehold interest in a site located in London SE1 (the 'Site') with a view to developing the Site into a hotel, subject to planning permission being obtained. The Site was acquired from a third party seller at a total investment of £12 million (excluding taxes and associated costs) funded from the Group's existing cash.

Note 6 Investment in joint ventures and subsidiaries with significant non-controlling interests

a. Investment in joint ventures

	As at 31 December	
	2019 £'000	2018 £'000
Loans to joint ventures*	**11,720**	4,134
Share of net assets under equity method	**6,431**	212
Investment in joint ventures	**18,151**	4,346

* The loans to joint ventures amount include a Euro loan bearing an interest of LIBOR +2.5% per annum which repayment is due on 7 June 2023, and a US$ loan bearing 8% interest.

The share in net profit amounts to £178 thousand (2018: £144 thousand).

b. Joint venture agreement in New York City

On 13 March 2019 the Company, through a wholly-owned subsidiary, entered into a joint venture agreement with Largo 542 West 29th Street Partners LLC, an affiliate of Largo ('Largo'), a New York-based real estate development and investment firm, to acquire, through W29 Owner LLC (the 'Property Owner'), properties located at 538, 540 and 542 West 29th Street, New York, USA (together the 'Property'). PPHE has a 50% interest in the Property Owner.

The consideration paid for the acquisition of the Property was US$42.6 million (£33.3 million) plus associated acquisition and financing costs of US$2.9 million (£2.3 million) (the 'Property Acquisition'). The Property Acquisition was partly funded with a US$20.7 million (£16.2 million) loan (the 'Loan') from Bank Hapoalim B.M. (the 'Lender'). The Loan is secured by a first priority mortgage encumbering the Property. In addition, Largo and PPHE have delivered certain customary guarantees in favour of the Lender.

The total cash contributed by PPHE and Largo to the joint venture as of the acquisition date was US$17 million (£13.3 million) and US$7.8 million (£6.1 million), respectively. The extra cash contribution by PPHE of US$9.2 million (£7.2 million) is considered as a member loan which bears 8% interest (the 'member loan').

Under the terms of the joint venture agreement, there was an intention to negotiate a construction agreement between the Property Owner and Largo as the contractor, provided certain conditions were met prior to the end of February 2020. However, in January 2020 the Company, through a wholly-owned subsidiary, has acquired from Largo its 50% interest in the Property Owner, for a total consideration of US$3.3 million plus associated acquisition costs. As a result, the Company now owns 100% of the Property and the associated joint venture arrangements have been terminated. The acquisition was funded from the Company's existing cash resources.

As of 31 December 2019, the Group's investment in the joint venture, including the outstanding member loan, amounts to US$18.1 million (£13.7 million) which investment is accounted for using the equity method.

c. Summarized financial information of subsidiary with material non-controlling interests

In the last quarter of 2019 the Company purchased 26,247 shares of Arena for a consideration of HRK 9.9 million (£1.1 million). Furthermore, during 2019 Arena purchased 43,747 shares for a consideration of HRK 16.3 million (£1.9 million). The difference between the adjustment of the non-controlling interests and the net consideration paid of approximately £2 thousands was recorded in retained earnings. As a result of those transactions the Group's share in Arena increased to 52.9% (2018: 52%)

The amount of profit and comprehensive income allocated to the non-controlling interests in 2019 amounts to £8,667 thousand (2018: £5,380 thousand) and £2,621 thousands (2018: £7,457 thousand) respectively.

In July 2019 Arena distributed a divided in the amount of HRK 5 per share, totalling in HRK 25,643 thousands (£3,027 thousands). The dividend that was paid to the non-controlling interest was HRK 12,316 thousands (£1,454 thousands).

Below is selected financial information relating to Arena, as of 31 December 2019 and 2018, and for the years ended December 2019 and 2018.

	2019 £'000	2018 £'000
Non-current assets	**288,081**	253,740
Current assets	**87,054**	101,067
Non-current liabilities	**135,158**	117,705
Current liabilities	**19,762**	18,026
Revenue	**91,844**	90,527
EBITDA	**27,098**	25,648
Profit for the period	**18,130**	14,264
Total comprehensive income	**12,084**	16,341

Note 7 Other non-current assets

a. Non-current financial assets

	As at 31 December	
	2019 **£'000**	2018 £'000
Income swap in respect of Income Units sold to private investors[1]	**310**	561
Income Units in Park Plaza County Hall London[2]	**17,600**	16,677
Rent security deposits[3]	**351**	370
Restricted deposits	**–**	10
Prepaid leasehold payments[4]	**–**	305
Other non-current assets	**97**	104
	18,358	18,027

1 Relates to income swap agreements, whereby the Group has the right to receive the net income derived from certain Income Units sold to private investors at Park Plaza Westminster Bridge London and an undertaking to guarantee a fixed return of approximately 6% on the original purchase price for a period of five years. These income swaps are measured at discounted expected cash flows with the following variables:
a. The present value of the net operating income of the hotel rooms is calculated using a discount rate of 7%.
b. The present value of the guaranteed return is calculated using a discount rate of 5%.
c. The income of the hotel is estimated to grow by 2% each year.

2 On 14 July 2017, the Group acquired an ownership interest in Park Plaza County Hall London through its purchase of 44 aparthotel units and the associated shares in the management company of the hotel, South Bank Hotel Management Company Limited. The purchase price was £16.0 million. In October 2017 an additional two units were purchased for £0.7 million. Upon initial recognition, the investment was designated in the consolidated financial statements at fair value through profit and loss. In return for the consideration paid, the Company receives 999 years of net income from specific revenue-generating units of the hotel (contractual right to a stream of future cash flows). This investment is managed and its performance is evaluated by 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 balance sheet date was £17.6 million based on an independent valuation prepared by Savills using a cap rate of 6%.

3 Relates to leases described in Note 14 C (ii)2.

4 Reclassed to Right to Use Asset according to IFRS 16 Note 19.

Note 8 Trade receivables

a. Composition:

	As at 31 December	
	2019 **£'000**	2018 £'000
Trade receivables	**13,635**	15,688
Less – allowance for doubtful debts	**(877)**	(364)
	12,758	15,324

Trade receivables are non-interest bearing. The Group's policy provides an average of 30 days' payment terms.

b. Movements in the allowance for doubtful accounts were as follows:

	£'000
As at 1 January 2018	(758)
Write-off	322
Collections	81
Exchange rate differences	(9)
As at 31 December 2018	(364)
Write-off	290
Additions	(826)
Exchange rate differences	23
As at 31 December 2019	(877)

Note 8 Trade receivables continued

c. As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due			
2019	Total £'000	Not past due £'000	< 30 days £'000	31 to 60 days £'000	61 to 90 days £'000	> 90 days £'000
Trade Receivables	**13,635**	**4,992**	**5,888**	**1,450**	**267**	**1,038**
Allowance for doubtful debts	**(877)**					**(877)**
	12,758	**4,992**	**5,888**	**1,450**	**267**	**161**

			Past due			
2018	Total £'000	Not past due £'000	< 30 days £'000	31 to 60 days £'000	61 to 90 days £'000	> 90 days £'000
Trade Receivables	15,688	5,709	6,864	1,653	437	1,025
Allowance for doubtful debts	(364)	–	–	–	–	(364)
	15,324	5,709	6,864	1,653	437	661

Note 9 Other receivables and prepayments

	As at 31 December	
	2019 £'000	2018 £'000
Prepaid expenses	**7,396**	7,672
VAT	**6,310**	2,010
Related parties*	**295**	1,605
Others	**1,064**	729
	15,065	12,016

* The amount owed by related parties bears no interest; see Note 30.

Note 10 Other current financial assets

	As at 31 December	
	2019 £'000	2018 £'000
Investment in marketable securities*	**5,221**	4,449

* Classified as held for trading

Note 11 Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Note 12 Equity

a. Share capital

The authorised share capital of the Company is represented by an unlimited number of ordinary shares with no par value.

As at 31 December 2019, the number of ordinary shares issued was 44,347,410 (2018: 44,225,706), 1,888,070 of which were held as treasury shares (2018: 1,888,070).

The Company's shares are admitted to the Premium Listing segment of the Official List of the UK Listing Authority and to trading on the Main Market for listed securities of the London Stock Exchange.

b. Treasury shares

On 29 September 2009, the Company purchased 862,000 of its ordinary shares at a price of 111 pence per share. On 26 October 2011, the Company purchased 800,000 of its ordinary shares at a price of 227 pence per share. On 29 August 2012, the Company purchased 200,000 of its ordinary shares at a price of 210 pence per share. On 18 October 2017, the Company purchased 41,070 of its ordinary shares at a price of 1,041 pence per share. On 27 February 2018, the Company issued 15,000 of its ordinary shares from its treasury account at a price of 1,070 pence per share. The total number of treasury shares is 1,888,070.

c. Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

Hedging reserve

This reserve comprises the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Note 13 Share-based payments

During 2007, the Company established a share option plan (the 'Plan') with the following principal terms:

a. The 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.

b. The Group's Remuneration Committee met in June 2018 to consider option packages of senior employees to ensure that they are properly incentivised in the future. The Remuneration Committee made its recommendation to the Board and the Board agreed to grant a total of 215,500 options to senior management at an exercise price of 1,430 pence (being the closing mid-market price on 28 June 2018). The options were granted under the terms of the Company's Executive Share Option Plan. The options vest in three equal tranches on each of the first, second and third anniversaries of the date of grant, subject to the rules of the Plan.

   The following lists the inputs to the binomial model used in 2018 for the fair value measurement of the granted share options:

Dividend yield	1.7%
Expected volatility of the share prices	20.4%
Risk-free interest rate	0.99%
Expected life of share options	4.4 years
Weighted average share price at the grant date	1,430.0 pence
Fair value per option	208.0 pence

   The expected life of the share options is based on historical data, current expectations and empirical data. It is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility of similar listed companies over a period similar to the life of the options is indicative of future trends, which may not be reflective of the actual outcome.

c. At any time, the total number of shares issued and/or available for grant (in a ten-year period) under the Plan or 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. For the purpose of this calculation, any option granted under the Plan immediately following admission to AIM in July 2007 is disregarded.

   The expense arising from equity-settled share-based payment transactions during 2019 was £199 thousand (2018: £183 thousand). Total exercisable options at 31 December 2019 amounted to 268,624 (2018: 240,334).

Movements during the year

The following table illustrates the number (No.) and weighted average exercise prices (EP) of, and movements in, share options during 2018 and 2019:

	No. of options A	No. of options B	EP
Outstanding as at 1 January 2018	307,000	–	5.31
Options forfeited during the year	–	–	–
Options exercised in the year*	–	–	–
Options granted during the year	215,500	–	£14.30
Outstanding as at 31 December 2018	522,500	–	£9.02
Options forfeited during the year	–	–	–
Options exercised in the year*	(110,210)	–	£6.90
Options granted during the year	–	–	–
Outstanding as at 31 December 2019	412,290	–	£9.58

* Part of the exercise was cashless.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2019 is seven years (2018: eight years).

Note 14 Pledges, contingent liabilities and commitments

a. Pledges, collateral and securities

Substantially all of the Group's assets and all of the rights connected or related to the ownership of the assets (including shares of subsidiaries and restricted deposits) are pledged in favour of banks and financial institutions as security for loans received. For most of the loans, specific assets are pledged as the sole security provided.

b. Restricted cash

Under certain facility agreements, funds need to be held in restricted deposit accounts in order to pay the debt service for a subsequent period. The total deposits held amount to £5.4 million and are presented as restricted in the financial statements.

Note 14 Pledges, contingent liabilities and commitments continued

c. Commitments

(i) Management and franchise agreements

1. The Group entered into a Territorial Licence Agreement (the 'Master Agreement') with Radisson Hotel Group ('Radisson'). Under the Master Agreement, the Group, amongst other rights, is granted an exclusive licence to use the brand 'Park Plaza® Hotels & Resorts' in 56 territories throughout Europe, the Middle East and Africa in perpetuity (the 'Territory').

   The Master Agreement also allows the Group to use, and license others to use, the Radisson systems within the Territory, which right includes the right to utilise the Radisson systems' international marketing and reservations facilities and to receive other promotional assistance. The Group pays Radisson a fee based on a percentage of the hotels' gross room revenue.

2. Within the terms of the management agreements, the hotels were granted by the Group a licence allowing them to use, throughout the term of the management agreements, the 'Park Plaza® Hotels & Resorts' and 'art'otel®' brand names.

(ii) Construction contract commitment

As at 31 December 2019, the Company had no capital commitments.

(iii) Guarantees

1. In 2015, Marlbray entered into 56 income swap agreements for a further five years from the expiry date of the original income swap agreements for the respective units on the same terms and conditions (see Note 7). The Company guarantees 48 of these agreements. The remaining future obligation as at 31 December 2019 amounted to £2.5 million.

2. In January 2013, the Company sold to Red Sea Hotels Limited ('Red Sea') all of the Company's shares in its subsidiary, Leno Finance Limited ('Leno'), the company through which the Company owned an interest in the site in Pattaya, Thailand (the 'Project'), and certain related loans and receivables, for a total consideration of Thai Baht 600 million.

   Under the terms of the United Overseas Bank (UOB) credit facilities received for the construction of the Project, the Company is obliged to provide certain financial support in the event of a cost overrun or funding shortfall in relation to the Project, to satisfy the payment of unpaid interest or fees until completion of the Project and, in certain circumstances, may be required to purchase serviced apartments after completion of the Project for a maximum of Thai Baht 600 million to fund any amounts that are outstanding under the UOB credit facilities. In addition, the Company undertook to take all necessary acts to ensure the completion of the Project as planned. Red Sea has agreed to indemnify the Company in respect of these continuing obligations (except for the obligation to purchase serviced apartments after completion where there is a continuing event of default) and as security Red Sea has pledged the shares held by it in Bali Hai Company Limited (the Thai subsidiary of Leno that owns and develops the Project) ('Bali Hai') and certain affiliated Thai companies.

   The sponsor support deed with UOB provides that the Company shall maintain a net gearing ratio (the ratio of (i) any interest-bearing indebtedness owed to financial institutions or under financial debt instruments of the Company less any cash balances or cash equivalent instruments maintained by the Company to (ii) its tangible net worth (total tangible assets less all external liabilities in respect of money borrowed or raised by the Company) not exceeding 3:1. As at 31 December 2019, the Company was in compliance with the aforementioned covenants.

   The Project encountered planning issues and as a result construction has been halted and the Company has been advised that the planning issues are unlikely to be resolved and that it is probable that Bali Hai will go into liquidation if such an application is filed by its creditors. UOB has secured judgment against Bali Hai for repayment of principal and interest. Recently the Project has been put out for sale on public auction and UOB, who has a first mortgage over the Project, will be entitled to receive the proceeds of such a sale and apply to liquidate Bali Hai for any shortfall.

   UOB has made demand of the Company for certain interest it contends is outstanding. The Company has responded to UOB and rejected its demands. The Company is working closely with Red Sea to refute UOB's demands (in respect of any liability for which the Company would benefit from the Red Sea indemnity).

   As before, the Company continues to believe that, given the Red Sea indemnity in favour of the Company, it is not probable that any material outflow of resources embodying economic benefits will be required to settle the obligations of the Company under the sponsor support deed.

3. The Company guarantees principal and interest under the €10.7 million (£9.3 million) facility granted by Deutsche Hypothekenbank AG to ABM Hotel Holding B.V. and PPBK Hotel Holding B.V. (formerly known as ABK Hotel Holding B.V.) The Company has entered into a counter-guarantee with Arena effective as of 1 January 2018 whereby Arena guarantees the Company's obligations under the Company's guarantee.

4. The Company guarantees 50% of the loan agreement of €38.0 million (£33.3 million) granted by Deutsche Hypothekenbank AG to ACO Hotel Holding B.V. and ABK Hotel Holding B.V. The Company has entered into a counter-guarantee with Arena effective as of 1 January 2018 whereby Arena guarantees the Company's obligations under the Company's guarantee.

5. In March 2019, as part of the joint venture arrangements in relation to art'otel new york, the Company granted certain guarantees to Bank Hapoalim as lender under the USD 22.150.000 facility to W29 Owner LLC, a direct and 100% subsidiary of the joint venture (W29 Development LLC). Further, the Company, in its capacity as guarantor under the facility, agreed to indemnify Bank Hapoalim for a breach of certain obligations under the loan agreement as well as for certain environmental issues in relation to the properties acquired by W29 Owner LLC up to an aggregate amount of USD 33.225.000. This indemnification was a joint and several liability for the Company and the joint venture partner. Following the acquisition of the 50% membership interest in W29 Development LLC by the Company from its joint venture partner as well as the extension of the loan facilities, the Company is now the sole guarantor as the joint venture partner was released as part of the acquisition arrangements.

Note 15 Borrowings

The borrowings of the Group are composed as follows:

As at 31 December 2019	€ denominated £'000	£ denominated £'000	HRK denominated £'000	Total £'000
Fixed interest rate	**220,964**	**420,213**	**22,091**	**663,268**
Weighted average interest rate	2.18%	3.62%	1.95%	–
Variable interest rate	**12,513**	**7,116**	**–**	**19,629**
Weighted average interest rate	1.09%	3.07%	0.00%	–
Total	**233,477**	**427,329**	**22,091**	**682,897**
Weighted average interest rate	2.13%	3.61%	1.95%	3.05%

Maturity analysis 2019	Outstanding amount	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Total borrowings	**682,897**	**13,916**	**13,997**	**14,037**	**15,730**	**13,641**	**611,576**
Capitalised transaction costs and other adjustments	**(4,636)**	**(600)**	**(600)**	**(600)**	**(600)**	**(600)**	**(1,636)**
	678,261	**13,316**	**13,397**	**13,437**	**15,130**	**13,041**	**609,940**

For securities and pledges, see Note 14.

As at 31 December 2018	€ denominated £'000	£ denominated £'000	Total £'000
Fixed interest rate	254,981	425,837	680,818
Weighted average interest rate	2.72%	3.62%	–
Variable interest rate	13,774	7,950	21,724
Weighted average interest rate	1.09%	3.07%	–
Total	268,755	433,787	702,542
Weighted average interest rate	2.18%	3.61%	3.06%

Maturity analysis 2018	Outstanding amount	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Total borrowings	702,542	15,310	13,810	13,847	13,889	15,672	630,014
Capitalised transaction costs and other adjustments	(5,251)	(602)	(602)	(602)	(602)	(602)	(2,241)
	697,291	14,708	13,208	13,245	13,287	15,070	627,773

For securities and pledges, see Note 14.

a. Financing of Leeds, Nottingham, Park Royal and County Hall London units

In June 2018, the Company, via four wholly owned entities, entered into a seven-year, £45 million loan financing agreement with Bank Hapoalim. The loan bears a fixed interest rate of 4.37% and is secured against Park Plaza Leeds, Park Plaza Nottingham, Park Plaza Park Royal and the 46 units owned in Park Plaza County Hall London. Some of the proceeds of the new loan were utilised to refinance the Park Royal construction facility which matured in June 2018.

b. Repayment of Park Plaza Leeds loan

In March 2018, the outstanding £12.1 million Royal Bank of Scotland loan secured against Park Plaza Leeds was fully repaid. The associated interest rate hedge was also terminated. Accordingly, £46 thousand was recycled to the income statement. In addition, amortised discount on the loan in the amount of £314 thousand was written off to the income statement.

c. Financing of Arena One 99 Glamping

In June 2018, Arena entered into a five-year financing agreement with Erste Bank. The maturity profile is back ended with 50% of the loan being repaid at maturity and with an interest rate fixed at 1.95% throughout the life of the loan. The facility was mainly used to fund the investment in the newly created Arena One 99 Glamping property which opened in 2018.

Note 15 Borrowings continued

d. The following financial covenants must be complied with by the relevant Group companies:

(i) Under the two Aareal facilities, for two of the Group's London hotels (the 'London Hotels') and all six of the Group's Dutch hotels (the 'Dutch Hotels'), the borrowers must ensure that the aggregate amount of the outstanding facilities does not exceed 65.2% of the value of the Dutch Hotels and 60% of the value of the London Hotels as set out in the most recent valuation. In addition, the borrowers must ensure that, on each interest payment date, the Debt Service Coverage Ratio (DSCR) is not less than 115%.

(ii) Under the AIG Asset Management (Europe) Limited facility for Park Plaza Westminster Bridge London, the borrower must ensure that the aggregate amount of the outstanding facility does not exceed 70% of the value of the hotel as set out in the most recent valuation. 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 £7.1 million (as at 31 December 2019) has an associated interest rate cap, hedging the risk of the all-in rate exceeding 3.5%.

(iii) Under the facility arranged by Cornerstone Real Estate Advisers Europe LLP, a member of the MAFF Mutual Financial Group, for Park Plaza Victoria London, the borrower must ensure that the aggregate amount of the outstanding facility does not exceed 75% of the value of the hotel as set out in the most recent valuation. In addition, the borrower must ensure that, on each interest payment date, the historical and projected DSCR are not less than 180%.

(iv) Under the BHI Luxembourg 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. In addition, on each interest payment date, the borrowers must ensure that the historical debt service cover should be at least 110% from March 2019, rising to 120% following the third anniversary of the agreement.

(v) In March 2019, W29 Owner LLC entered into a Loan agreement with BHI New York for an amount of $22.15 million where PPHE Hotel Group Limited is a guarantor. Under this agreement, PPHE Group Limited must ensure that it maintains an aggregate net worth of at least $33 million and have liquid assets with a market value of at least $5 million.

(vi) Under the Deutsche Hypothekenbank AG facility for ACO Hotel Holding B.V. and ABK Hotel Holding B.V., the borrower must ensure throughout the entire term of the loan that the outstanding amount of the loan does not exceed 70% of the value of the properties and that the DSCR is not less than 110%.

(vii) Under the Deutsche Hypothekenbank AG facility for Park Plaza Nuremberg, the borrower must ensure throughout the entire term of the loan that the outstanding amount of the loan does not exceed 65% of the value of the property and that the DSCR is not less than 180%.

(viii) Under the Zabrebačka Banka d.d joint €32.0 million and HRK 205.0 million facilities, the borrower must ensure that at year end, based on audited standalone financial statements of the borrower, the DSCR is equal to or greater than 120% during the life of the loan and that the net leverage ratio is equal to or lower than 5.5 at year end 2019, is equal to or lower than 5.0 at year end 2020, and is equal to or lower than 4.5 at year end 2021 and for each succeeding calendar year during the remaining life of the loan.

(ix) Under the Zabrebačka Banka d.d €10.0 million and HRK 60.0 million facilities, the borrower must ensure that at year end, based on audited consolidated financial statements of the borrower, the DSCR is equal to or greater than 120% during the life of the loan and that the net leverage ratio is equal to or lower than 5.5 at year end 2019, is equal to or lower than 5.0 at year end 2020, and is equal to or lower than 4.5 at year end 2021 and for each succeeding calendar year during the remaining life of the loan. Moreover, under the HRK 60 million facility, the amount of the loan cannot exceed 70% of the value of the properties.

(x) Under the Erste Bank €5.0 million and €10.2 million facilities, the borrower must ensure throughout the entire term of the loan that the interest coverage ratio ('ICR') is at least 2 times EBITDA.

As at 31 December 2019, the Group is in compliance with all of its banking covenants.

Note 16 Provisions

a. Provision for litigation

Arena was a defendant in five disputes relating to claims of utility companies Pula Herculanea d.o.o. (one case) and Vodovod Pula d.o.o. (four cases), all relating to payment of fees and charges for maintenance and development of the water supply and sewage infrastructure system charged to the Company based on water consumption. Sufficient provisions were provided for in the accounts for these disputes. These cases have now been settled. Consequently, the relevant provisions in the accounts are now released, which release results in HRK 8.5 million (£1.1 million) in other income (see Note 25 (b)).

	2019 £'000	2018 £'000
Balance as at 1 January	**3,873**	3,659
Exchange rate differences	**(94)**	91
Movement in the year	**(3,779)**	123
Balance as at 31 December	**–**	3,873

Note 16 Provisions continued

b. Provision for concession fee on land

In accordance with the provisions of the Act on the Tourist and Other Construction Land Not Appraised During the Transition and Privatisation Process (the 'Act'), the Company submitted requests to the Republic of Croatia for the award of tourist land concessions for a term of 50 years (the maximum term allowed) in relation to land areas in eight campsites and three self–catering holiday apartment complexes in Croatia. Since the adoption of the Act in 2010, as far as the Company is aware, no concession agreement has been entered into with respect to tourist land in campsites/tourist resorts in the Republic of Croatia due to ambiguities in the wording of the Act and other related regulations. The status of the Company's tourist land concession requests is similar to the status of concession requests submitted by other companies in the Republic of Croatia. In relation to the concession arrangements in respect of the eight campsites and three self-catering holiday apartment complexes, the Republic of Croatia and the Company need to (i) determine the co-ownership parts of the land (based on which definite amounts of the concession fees due on that part of the land owned by the Republic of Croatia would be determined) and (ii) upon granting of the concession by the Republic of Croatia, enter into the respective concession agreements. In practice, the companies that have submitted requests for a tourist land concession regularly pay an advance concession fee of 50% of the calculated concession fee in accordance with the relevant regulations. As such, the Company will continue to pay 50% of the concession fees in respect of the eight campsites and three self-catering holiday apartment complexes and to accrue the remaining 50% until determination of the concession agreements, which is presented as a provision in the financial statements.

	2019 £'000	2018 £'000
Balance as at 1 January	**4,330**	3,591
Additions	**652**	644
Exchange rate differences	**(252)**	95
Balance as at 31 December	**4,730**	4,330

Note 17 Financial liability in respect of Income Units sold to private investors

	2019 £'000	2018 £'000
Total liability	**143,268**	144,264
Due from investors for reimbursement of capital expenditure	**(16,564)**	(15,113)
	126,704	129,151

This liability originated from the proceeds received from the sale to private investors of the future 999-year cash flows, derived from certain Income Units in Park Plaza Westminster Bridge London. Furthermore, as the investors are required to fund all capital expenditures ('capex') to be made in connection with these rooms, a receivable is recorded in each period for any excess of depreciation expense over the amounts paid by the investors on account of capex. This receivable is offset from the liability to the investors. See Note 7(a) for information regarding income swap agreements.

This liability is amortised over the term of the agreement, that being 999 years.

Note 18 Other financial liabilities

	As at 31 December	
	2019 £'000	2018 £'000
Derivative financial instruments	**674**	239
Lease liabilities (see Note 19)	**227,998**	187,701
Deposits received in respect of Income Units sold to private investors	**–**	11
Other	**301**	318
	228,973	188,269

Note 19 Leases

Group as a lessee

The Group has lease contracts for various items which mainly includes hotels, including land, offices and storage buildings. Leases of land have lease terms between 125-199 years while hotel buildings, offices and storage have lease terms between 2 and 95 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases with lease terms of 12 months or less and leases with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land £'000	Hotel buildings £'000	Offices and storage £'000	Furniture, fixtures and equipment £'000	Total £'000
Cost:					
Balance as at 1 January 2019	86,149	114,026	8,471	23,873	232,519
Additions during the year	–	–	1,037	–	1,037
Disposal	–	-	(689)	–	(689)
Remeasurement of right-of-use assets	–	4,909	–	–	4,909
Adjustment for exchange rate differences	(608)	(970)	(28)	–	(1,606)
Balance as at 31 December 2019	85,541	117,965	8,791	23,873	236,170
Accumulated depreciation and impairment:					
Balance as at 1 January 2019	4,014	1,664	–	4,870	10,548
Provision for depreciation	462	3,360	1,159	2,968	7,949
Disposal	–	–	(235)	–	(235)
Adjustment for exchange rate differences	(6)	(76)	–	–	(82)
Balance as at 31 December 2019	4,470	4,948	924	7,838	18,180
Net book value as at 31 December 2019	81,071	113,017	7,867	16,035	217,990

Set out below are the carrying amounts of lease liabilities (included under Other financial liabilities and Other payables) and the movements during the period:

	As at 31 December	
	2019 £'000	2018 £'000
As at 1 January	**227,078**	182,962
Additions	**1,037**	–
Disposals	**(458)**	–
Accretion of interest	**9,146**	7,168
Payments	**(12,531)**	(7,251)
Remeasurement of lease liability recorded in other expenses	**3,359**	4,822
Remeasurement of lease liability adjusted against right-of-use assets	**4,909**	–
Adjustments for foreign exchange differences	**(946)**	–
As at 31 December	**231,594**	187,701
Current	**3,596**	–
Non current	**227,998**	187,701

Note 19 Leases

Set below is a split of the lease liabilities, cash payments and effect in the income statement between lease agreements for a period longer than 100 years ("long term leases") and leases for a period of up to 35 years ("short term leases").

	Year ended 31 December 2019 £'000		
	Long term leases (>100)	**Short term leases (<35)**	**Total**
Lease liabilities	**194,997**	**36,597**	**231,594**
Fixed lease payments	**8,203**	**4,328**	**12,531**
Accretion of interest	**8,203**	**943**	**9,146**
Depreciation	**4,250**	**3,699**	**7,949**

Details regarding certain long term lease agreements are as below:

(a) Grandis Netherlands Holding B.V. ('Grandis') has a land leasehold interest, expiring in 2095, of Park Plaza Sherlock Holmes London. The current annual rent amounts to £1,140 thousand (subject to 'open market value' rent review every five years).

Grandis has an option to extend the lease to a total of 125 years, expiring in 2121. The Company also has an option to terminate the lease in 2059.

(b) Riverbank Hotel Holding B.V. has a land leasehold interest, expiring in 2125, for Park Plaza London Riverbank, subject to rent review every five years, based on CPI. A deed of variation of the lease of Park Plaza London Riverbank was entered into on 13 June 2014 under which the rent payable under the lease increased to £1,001 thousand per annum and the tenant was granted a right to renew the lease for an additional 60 years. At completion of the deed, the landlord paid £5.0 million to Riverbank Hotel Holding B.V., which is accounted for as part of the long-term finance lease liability.

(c) 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.

(d) 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 **2019 £'000**
Depreciation expense of right-of-use assets	**7,949**
Interest expense on lease liabilities	**9,146**
Expense relating to low-value assets and short-term leases (included in operating expenses)	**248**
Expense relating to low-value assets and short-term leases (included in rent expenses)	**331**
Variable lease payments (included in rent expenses)	**1,443**
Total amount recognised in profit or loss	**19,117**

The Group had total cash outflows for leases of £14,553 thousands in 2019.

The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments in 2019:

	As at 31 December		
	Fixed payments £'000	**Variable payments £'000**	**Total £'000**
Fixed rent	**11,721**	**–**	**11,721**
Variable rent with minimum payment	**810**	**431**	**1,241**
Variable rent only	**–**	**1,012**	**1,012**

Note 20 Other payables and accruals

	As at 31 December	
	2019 **£'000**	2018 £'000
Current portion of lease liabilities	**3,596**	–
Employees	**2,991**	2,260
VAT and taxes	**10,888**	8,281
Accrued interest	**3,087**	3,036
Corporate income taxes	**1,408**	1,371
Accrued expenses	**10,908**	12,197
Advance payments received**	**10,391**	9,029
Accrued rent	**835**	1,858
Variable income payment to holders of Income Units	**3,222**	3,065
Related parties*	**–**	372
	47,326	41,469

* See Note 30.
** All the advance payments received as of 31 December 2019 were recognised as revenue in 2020.

Note 21 Revenues

	Year ended 31 December	
	2019 **£'000**	2018 £'000
Rooms	**250,608**	236,641
Campsites and mobile homes	**17,584**	16,039
Food and beverage	**75,363**	75,640
Minor operating	**7,102**	7,325
Management fee (see Note 14(c)(i))	**2,467**	2,356
Franchise and reservation fee (see Note 14(c)(i))	**1,734**	1,104
Marketing fee	**852**	821
Other	**1,982**	1,556
	357,692	341,482

Note 22 Operating expenses

	Year ended 31 December	
	2019 **£'000**	2018 £'000
Salaries and related expenses	**107,146**	102,012
Franchise, reservation and commissions expenses (see Note 14(c)(i))	**27,830**	25,987
Food and beverage	**18,171**	17,796
Insurance and property taxes	**17,937**	16,188
Utilities	**11,126**	11,205
Administration costs	**7,812**	7,029
Maintenance	**6,937**	6,491
Laundry, linen and cleaning	**5,039**	4,591
Supplies	**4,481**	4,164
IT expenses	**1,673**	1,537
Communication, travel and transport	**2,637**	2,794
Marketing expenses	**2,308**	2,526
Defined contribution pension premiums	**3,980**	1,142
Other expenses	**15,947**	17,313
	233,024	220,775

Note 23 Financial expenses

	Year ended 31 December	
	2019	2018
	£'000	£'000
Interest and other finance expenses on bank loans	**22,768**	23,372
Interest on lease liabilities	**9,146**	7,168
Foreign exchange differences, net	**112**	635
Loss from marketable securities	**–**	679
Other	**63**	132
	32,089	31,986

Note 24 Financial income

	Year ended 31 December	
	2019	2018
	£'000	£'000
Income from Park Plaza County Hall London Income Units	**1,057**	1,024
Interest on bank deposits	**395**	452
Gain from marketable securities	**900**	–
Interest and other financial income from jointly controlled entities (see Note 30(b))	**571**	92
	2,923	1,568

Note 25 Other income and expenses

a. Other expenses

	Year ended 31 December	
	2019	2018
	£'000	£'000
Capital loss on buy-back of Income Units previously sold to private investors	**694**	601
Loss upon repayment of loan	**–**	360
Termination of operating lease **	**–**	3,141
Remeasurement of lease liability *	**3,359**	4,822
Expenses in connection with Premium Listing	**–**	1,556
Loss on disposal of fixed assets	**301**	–
Other non-recurring expenses (including pre-opening expenses)	**756**	208
	5,110	10,688

* This amount represents remeasurement of the Waterloo lease liability based on the 2% collar – see Note 19.

** In March 2018, the Group entered into an agreement to terminate the loss-making lease agreement for the 174-room art'otel dresden, effective from 31 July 2018. To exit from this lease, the Group suffered an expense of £3.1 million.

b. Other income

	Year ended 31 December	
	2019	2018
	£'000	£'000
Gain on re-measurement of previously held interest in joint venture (see Note 6)	**–**	20,280
Recycling of hedging reserve upon refinancing	**–**	46
Release of deposit of unit holder	**–**	68
Revaluation of Income Units County Hall (see Note 7)	**923**	–
Release of provision for litigation (see Note 16(a))	**1,093**	–
Gain on sale of fixed assets	**209**	–
	2,225	20,394

Note 26 Net expenses for financial liability in respect of Income Units sold to private investors

	Year ended 31 December	
	2019 **£'000**	2018 £'000
Guaranteed return (see Note 2(k))	**955**	942
Variable return (see Note 2(k))	**12,182**	11,417
Reimbursement of depreciation expenses (see Note 2(k))	**(2,592)**	(2,404)
Change in expected cash flow income swaps (see Note 7)	**250**	363
	10,795	10,318

Note 27 Income taxes

a. Tax benefit (expense) included in the income statement

	Year ended 31 December	
	2019 **£'000**	2018 £'000
Current taxes	**(1,591)**	(3,317)
Adjustments in respect of current income tax of previous year	**1,303**	68
Deferred taxes	**4,393**	298
	4,105	(2,951)

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 2018	3,318	(10,565)		(7,247)
Amounts charged to income statement	(36)	(160)	–	(196)
Change in tax rate	–	491	–	491
Adjustments for exchange rate differences	20	(88)	–	(68)
Balance as at 31 December 2018	3,302	(10,322)		(7,020)
Amounts charged to income statement	(415)	(538)	4,873	3,920
Change in tax rate	–	191	–	191
Adjustments for exchange rate differences	(36)	345	(147)	162
Balance as at 31 December 2019	2,851	(10,324)	4,726	(2,747)

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	
	2019 **£'000**	2018 £'000
Deferred tax assets	**5,173**	95
Deferred tax liabilities	**(7,920)**	(7,115)
	(2,747)	(7,020)

Note 27 Income taxes continued

c. Reconciliation between tax benefit (expense) and the product of accounting profit multiplied by the Group's tax rate is as follows:

	Year ended 31 December 2019 £'000	2018 £'000
Profit before income taxes	**38,477**	46,383
Expected tax at the tax rate of the United Kingdom 20%	**(7,695)**	(9,277)
Adjustments in respect of:		
Effects of other tax rates	**3,672**	11,788
Non-deductible expenses	**(71)**	(1,476)
Utilisation of carried forward losses and temporary differences for which deferred tax assets were not previously recorded	**1,336**	678
Temporary differences for which no deferred tax asset was recorded	**(73)**	(726)
Non-taxable income	**779**	481
Unrecognised current year tax losses	**(282)**	(4,931)
Recognition of investment tax credit (see f below)	**6,351**	
Other differences (including change in tax rate)	**88**	512
Income tax benefit (expense) reported in the income statement	**4,105**	(2,951)

d. Tax laws applicable to the Group companies:

(i) The Company is subject to taxation under the laws of Guernsey. The Company is therefore taxed at the standard rate of 0%.

(ii) Foreign subsidiaries are subject to income taxes in their country of domicile in respect of their income, as follows:

1. Taxation in the Netherlands: corporate income tax rate is 25%.
2. Taxation in the United Kingdom: corporate income tax rate for domiciled companies 20% and for non-domiciled companies is 20%.
3. Taxation in Germany: aggregated corporate tax rate and trade income rate 29.7%.
4. Taxation in Hungary: corporate income tax rate 9%.
5. Taxation in Croatia: corporate income tax rate 18%.

In December 2018, the Dutch Senate adopted the 2019 law business offered by the parliament which included a gradual reduction in corporate income tax. According to this new legislation, corporate income tax rate will reduce to 22.55% in 2020 and 20.5% in 2021 and onwards. However the adopted reductions were updated under the 2020 tax plan which was adopted on 17 December 2019 and it was decided that the corporate income tax rate for 2020 will remain at 25% and from 2021 onwards the rate will be 21.7%.

e. Losses carried forward for tax purposes

The Group has carried forward losses for tax purposes estimated at approximately £120 million (2018: £142 million). The Group did not establish deferred tax assets in respect of losses amounting to £108 million (2018: £130 million) of which tax losses amounting to £4 million may be utilised for a period of up to seven years. The remaining tax losses may be carried forward indefinitely.

The carried forward losses relate to individual companies in the Group, each in its own tax jurisdiction. When analysing the recovery of these losses the Group assesses the likelihood that these losses can be utilised against future trading profits. In this analysis the Group concluded that for the majority of these companies it is not highly likely that future profits will be achieved that can be offset against these losses, mainly due to the nature of their trade (i.e. holding companies or tax exempt activities). Based on this uncertain profitability, the Company determined that it could not recognise deferred tax assets for the majority of the losses. The Company is performing this analysis on an ongoing basis.

f. Tax incentives

In May 2019, pursuant to the Investment Promotion and Development of Investment Climate Act in Croatia (the "Climate Act"), Arena became eligible to claim incentive allowances. According to the Climate Act, upon investing an amount between €3 million and €50 million in existing properties and meeting certain conditions, Arena will be entitled to a tax incentive of up to 25% of the actual investment which can be utilised against taxable profits for a period of ten years from the investment start date. During 2019 and 2018 Arena invested a total amount eligible for incentives of HRK 173.3 million (£20.4 million) and HRK 68.8 million (£8.2 million), respectively.

In 2019 Arena utilised investment tax credit in respect of 2019 in the amount of HRK 7.5 million (£0.9 million) and in respect of 2018 an amount of HRK 11.8 million (£1.4 million). The unutilised investment tax credit was recognised as deferred tax asset in an amount of HRK 41.3 million (£4.1 million).

Arena has the right to use the investment tax credits in the next ten years from the approval date granted by the relevant authorities. The execution of the investment project is subject to supervision by the relevant institutions and the subsidiary is not permitted to reduce the number of new jobs created (as one of the requirements to qualify for the incentives) in addition to other conditions, throughout the period of the incentive measures. If the prescribed conditions for the tax incentives are not met, Arena would be liable to retroactively pay income tax inclusive of any penalty interest.

Note 28 Earnings per share

The following reflects the income and share data used in the basic earnings per share computations:

	Year ended 31 December	
	2019 £'000	2018 £'000
Profit attributable to equity holders of the parent	**33,915**	38,052
Weighted average number of ordinary shares outstanding	**42,391**	42,335

Potentially dilutive instruments 211,518 in 2019 (2018: 189,428) had an immaterial effect on the basic earnings per share.

Note 29 Segments

For management purposes, the Group's activities are divided into Owned Hotel Operations and Management Activities (for further details see Note 14(c)(i)). Owned Hotel Operations are further divided into four reportable segments: the Netherlands, Germany and Hungary, Croatia and the United Kingdom. The operating results of each of the aforementioned segments are monitored separately for the purpose of resource allocations and performance assessment. Segment performance is evaluated based on EBITDA, which is measured on the same basis as for financial reporting purposes in the consolidated income statement.

	Year ended 31 December 2019						
	The Netherlands £'000	**Germany and Hungary £'000**	**United Kingdom £'000**	**Croatia £'000**	**Management and Central Services £'000**	**Adjustments* £'000**	**Consolidated £'000**
Revenue							
Third party	**53,776**	**29,521**	**207,381**	**61,147**	**5,867**		**357,692**
Inter-segment					**38,384**	**(38,384)**	**–**
Total revenue	**53,776**	**29,521**	**207,381**	**61,147**	**44,251**	**(38,384)**	**357,692**
Segment EBITDA	**15,003**	**8,704**	**70,696**	**18,227**	**10,264**	**–**	**122,894**
Depreciation, amortisation and impairment							**(41,749)**
Financial expenses							**(32,089)**
Financial income							**2,923**
Net expenses for liability in respect of Income Units sold to private investors							**(10,795)**
Other expenses, net							**(2,885)**
Share in result of joint ventures							**178**
Profit before tax							**38,477**

* Consist of inter-company eliminations.

	The Netherlands £'000	**Germany and Hungary £'000**	**United Kingdom £'000**	**Croatia £'000**	**Adjustments[2] £'000**	**Consolidated £'000**
Geographical information						
Non-current assets[1]	**202,673**	**97,195**	**840,130**	**178,928**	**30,761**	**1,349,687**

[1] Non-current assets for this purpose consists of property, plant and equipment, right to use assets and intangible assets.
[2] This includes the fixed assets of Management and Central Services and the intangible fixed assets.

Note 29 Segments continued

	Year ended 31 December 2018						
	The Netherlands £'000	Germany and Hungary £'000	United Kingdom £'000	Croatia £'000	Management and Central Services £'000	Adjustments* £'000	Consolidated £'000
Revenue							
Third party	49,569	31,443	195,092	60,193	5,185	–	341,482
Inter-segment	–	–	–	–	36,823	(36,823)	–
Total revenue	49,569	31,443	195,092	60,193	42,008	(36,823)	341,482
Segment EBITDA	14,091	5,242	65,006	18,558	10,275	–	113,172
Depreciation, amortisation and impairment							(35,903)
Financial expenses							(31,986)
Financial income							1,568
Net expenses for liability in respect of Income Units sold to private investors							(10,318)
Other income, net							9,706
Share in result of joint ventures							144
Profit before tax							46,383

* Consist of inter-company eliminations.

	The Netherlands £'000	Germany and Hungary £'000	United Kingdom £'000	Croatia £'000	Adjustments[2] £'000	Consolidated £'000
Geographical information						
Non-current assets[1]	206,964	78,066	814,089	167,286	25,843	1,292,248

1 Non-current assets for this purpose consists of property, plant and equipment and intangible assets.
2 This includes the fixed assets of Management and Central Services and the intangible fixed assets.

Note 30 Related parties

a. Balances with related parties

	As at 31 December	
	2019 £'000	2018 £'000
Loans to joint ventures	**11,720**	4,134
Short-term receivables	**34**	1,605
GC Project Management Limited	**261**	(372)

b. Transactions with related parties

	Year ended 31 December	
	2019 £'000	2018 £'000
GC Project Management Limited	**2,980**	3,086
Interest income from jointly controlled entities	**571**	92

Note 30 Related parties continued

c. Significant other transactions with related parties

(i) **Project Management Contracts** – The Group actively engages in the development of properties into new hotels and the refurbishment and/or extension of its existing portfolio of hotels. The Group has contracted, and currently contracts, with GC Project Management Limited (GC), for project management services in respect of its projects. The Group entered into six project management agreements with GC in 2018 for its various projects. Each such agreement provides for a capped amount payable by the Group to GC in respect of each such project. Five projects Out of the six Project Management Contracts have been completed and as at 31 December 2019 only one project management Contract is still active.

(ii) **Pre-Construction and Maintenance Contract** – The Group frequently uses 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.

(iii) 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.

(iv) Compensation to key management personnel (Executive and Non-Executive Directors) for the year ended 31 December 2019:

	Base salary and fees £'000	**Bonus £'000**	**Additional Remuneration £'000**	**Retention award £'000**	**Pension contributions £'000**	**Other benefits £'000**	**Total £'000**
Chairman and Executive Directors	**655**	**60**	**–**	**53**	**113**	**5**	**886**
Non-Executive Directors	**443**	**–**	**30**		**–**	**–**	**473**
	1,098	**60**	**30**	**53**	**113**	**5**	**1,359**

Directors' interests in employee share incentive plan

As at 31 December 2019, the Executive Directors held share options to purchase 75,000 ordinary shares. 50,000 options were fully exercisable with an exercise price of £6.90 and 8,333 options were fully exercisable with an exercise price of £14.30. No share options were granted to Non-Executive members of the Board.

(vi) Compensation to key management personnel (Executive and Non-Executive Directors) for the year ended 31 December 2018:

	Base salary and fees £'000	Bonus £'000	Retention award £'000	Pension contributions £'000	Other benefits £'000	Total £'000
Chairman and Executive Directors	799	40	21	112	20	992
Non-Executive Directors	219	–	–	–	–	219
	1,018	40	21	112	20	1,211

Note 31 Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, and marketable securities comprise bank borrowings, cash and cash equivalents and restricted deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

		Changes in financial liabilities arising from financing activities						
	As at 1 January 2019 £'000	**Cash flows £'000**	**Remeasurement through profit and loss £'000**	**Remeasurement again set right-of-use-assets £'000**	**Foreign exchange movement £'000**	**New leases/ loans, net £'000**	**Other £'000**	**31 December 2019 £'000**
Non-current interest-bearing loans and borrowings	**681,981**	**(13,883)**	**–**	**–**	**(13,332)**	**8,948**	**631**	**664,345**
Non-current lease liability	**223,407**	**(3,385)**	**3,359**	**4,909**	**(871)**	**579**	**–**	**227,998**
Financial liability in respect of Income Units sold to private investors	**129,151**	**(929)**	**–**	**–**	**–**	**–**	**(1,518)**	**126,704**
Derivative financial instruments	**239**	**–**	**–**	**–**	**(28)**	**–**	**463**	**674**
Current interest-bearing loans and borrowings	**15,310**	**(1,568)**	**–**	**–**	**(477)**	**651**	**–**	**13,916**
Current lease liability	**3,671**	**–**	**–**	**–**	**(75)**	**–**	**–**	**3,596**
	1,053,759	**(19,765)**	**3,359**	**4,909**	**(14,783)**	**10,178**	**(424)**	**1,037,233**

		Changes in financial liabilities arising from financing activities					
	As at 1 January 2018 £'000	Cash flows £'000	Remeasurement through profit and loss £'000	Foreign exchange movement £'000	New leases/loans £'000	Other £'000	As at 31 December 2018 £'000
Non-current interest-bearing loans and borrowings	666,936	(46,958)	–	3,572	57,874	557	681,981
Lease liability	182,962	(83)	4,822	–	–	–	187,701
Financial liability in respect of Income Units sold to private investors	131,632	(1,109)	–	–	–	(1,372)	129,151
Derivative financial instruments	590	(653)	–	4	–	298	239
Third party loans	8,873	(8,858)	–	(15)	–	–	–
Current interest-bearing loans and borrowings	32,947	(19,437)	–	137	1,663	–	15,310
	1,023,940	(77,098)	4,822	3,698	59,537	(517)	1,014,382

Note 31 Financial risk management objectives and policies continued

The main risks arising from the Group's financial instruments are cash flow interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees on policies for managing each of these risks which are summarised below. The Group's accounting policies in relation to derivatives are set out in Note 2.

a. Interest rate risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The Group's policy is to manage its interest costs using fixed rate debt. To manage its interest costs, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. Furthermore, the Group uses fixed interest rate debts. For this reason the Group's cash flow is not sensitive to possible changes in market interest rates. Possible changes in interest rates do, however, affect the Group's equity as the fair value of the swap agreements changes with interest rate changes. These swaps are designated to hedge underlying debt obligations.

The fair value of the swaps of the Group as at 31 December 2019 amounts to a liability of £674 thousand (2018: liability of £239 thousand).

The Group uses short-term deposits (weekly and monthly) for cash balances held in banks.

b. Credit risk

The Group trades only with recognised, creditworthy third parties. It has policies in place to ensure that sales are made to customers with an appropriate credit history. The Company's policies ensure that sales to customers are settled through advance payments, in cash or by major credit cards (individual customers). Since the Group trades only with recognised third parties, there is no requirement for collateral for debts with third parties. Furthermore, the Group has no dependency on any of its customers. The receivable balances are monitored on an ongoing basis. Management monitors the collection of receivables through credit meetings and weekly reports on individual balances of receivables. The maximum credit exposure equals the carrying amount of the trade receivables and other receivables since a loss allowance for expected credit losses is recorded in respect of all trade and other receivables. The result of these actions is that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents and investment in securities, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group has limited concentration risk in respect of its cash at banks.

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.

Note 31 Financial risk management objectives and policies continued

c. Liquidity risk continued

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2019 and 2018 based on contractual undiscounted payments.

	As at 31 December 2019					
	Less than 3 months £'000	**3 to 12 months £'000**	**Year 2 £'000**	**Year 3 to 5 £'000**	**> 5 years £'000**	**Total £'000**
Interest-bearing loans and borrowings[1]	**8,460**	**26,462**	**34,683**	**103,675**	**652,537**	**825,817**
Financial liability in respect of Income Units sold to private investors[2]	**3,285**	**9,855**	**13,140**	**39,420**	**126,704**	**192,404**
Derivative financial instruments	**84**	**253**	**337**	**–**	**–**	**674**
Lease liability[3]	**3,178**	**9,535**	**12,710**	**37,332**	**592,114**	**654,869**
Trade payables	**10,466**	**–**	**–**	**–**	**–**	**10,466**
Other liabilities	**23,096**	**20,230**	**–**	**–**	**11,614**	**54,940**
	48,569	**66,335**	**60,870**	**180,427**	**1,382,969**	**1,739,170**

	As at 31 December 2018					
	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]	9,237	27,710	36,524	106,477	688,508	868,456
Deposits received in respect of Income Units sold to private investors	–	–	–	–	11	11
Financial liability in respect of Income Units sold to private investors[2]	3,069	9,206	12,275	36,825	119,357	180,732
Derivative financial instruments	30	90	120	–	–	240
Lease liability[3]	2,012	6,036	8,048	24,114	545,097	585,307
Trade payables	12,162	–	–	–	–	12,162
Other liabilities	21,299	20,171	–	–	15,637	57,107
	47,809	63,213	56,967	167,416	1,368,610	1,704,015

1 See Note 15 for further information.
2 Presented according to discounted amount due to the variability of the payments over the balance of the 999-year term.
3 Lease liability includes four leases with upward rent reviews based on future market rates in one lease and changes in the Consumer Prices Index (CPI)/retail price index (RPI) in the other lease and, thus, future payments have been estimated using current market rentals and current United Kingdom-based CPIs/RPIs, respectively, except Park Plaza London Waterloo where the amounts included 50 years of future payments regarding the lease of Park Plaza London Waterloo instead of 199 years as stated in the lease agreement. Also, the amounts do not take into account the collar of 2%. The Group's management believes that the amount included in the above table reflects the relevant cash flow risks to which the Group would be reasonably exposed in the ordinary course of business.

Note 31 Financial risk management objectives and policies continued

d. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group monitors capital using a gearing ratio, which is net bank debt divided by total capital plus net bank debt. The Group's policy is to keep the gearing ratio between 50% and 60%. The Group includes within net bank debt interest-bearing bank loans and borrowings, less cash and cash equivalents and other liquid assets. Capital includes equity less the hedging reserve.

	2019 £'000	2018 £'000
Interest-bearing bank loans and borrowings	**678,261**	697,291
Less – cash and cash equivalents	**(153,029)**	(207,660)
Less – long-term restricted cash	**(1,841)**	(1,884)
Less – short-term restricted cash	**(3,541)**	(3,672)
Less – investments in marketable securities	**(5,221)**	(4,449)
Net debt	**514,629**	479,626
Equity	**480,761**	478,542
Hedging reserve	**655**	437
Total capital	**481,416**	478,979
Capital and net debt	**996,045**	958,605
Gearing ratio	**51.7%**	50.0%

e. Fair value of financial instruments

The fair values of the financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade receivables, trade payables, and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of floating interest rate liabilities also approximate their carrying amount as the periodic changes in interest rates reflect the movement in market rates.

The fair value of loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of investments in marketable securities is derived from quoted market prices in active markets. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques for swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, and interest rate curves. The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques, based on a discounted cash flow. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Note 31 Financial risk management objectives and policies continued

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.

As at 31 December 2019, the Group held the following financial instruments measured at fair value:

Liabilities

	31 December 2019 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Interest rate swaps used for hedging	**674**	–	674	–

Assets

	31 December 2019 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investments in marketable securities	**5,221**	5,221	–	–
Income Units in Park Plaza County Hall London	**17,600**	–	17,600	–

As at 31 December 2018, the Group held the following financial instruments measured at fair value:

Liabilities

	31 December 2018 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Interest rate swaps used for hedging	239	–	239	–

Assets

	31 December 2018 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Investments in marketable securities	4,449	4,449	–	–
Income Units in Park Plaza County Hall London	16,677	–	16,677	–

During 2019 and 2018, 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	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Financial liabilities				
Bank borrowings	**678,261**	697,291	**700,687**	705,887

Note 32 Subsequent events

a. New hotel development in Zagreb

On 30 January 2020, the Company announced its plans to develop a new city centre hotel in Zagreb, Croatia, through its subsidiary Arena Hospitality Group d.d. ('Arena'). Arena has 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 heart of the city. Once opened, this 115-room hotel will include a destination restaurant and bar, wellness and spa facilities, fitness centre, event space and parking. The hotel is expected to open within 24 months.

b. Final dividend

The Board is proposing a final dividend payment of 20 pence per share (2018: 19 pence per share). Subject to shareholder approval at the Annual General Meeting, to be held on 19 May 2020, the dividend will be paid on 22 May 2020 to shareholders on the register at 24 April 2020. The shares will go ex-dividend on 23 April 2020.

APPENDICES

Subsidiaries included in the Group

Name of company	Principal Activity	Country of incorporation	Direct and indirect holdings %
PPHE Hotel Group Limited	Holding company	Guernsey	100
Park Plaza Hotels (UK) Limited	Holding company	United Kingdom	100
PPHE Support Services Limited	Hotel operation	United Kingdom	100
PPHE Parent Hoxton Holdings Limited (formerly known as Apex Holdings (UK) Limited)	Holding company	Guernsey	100
Aspirations Limited	Holding company	Guernsey	100
Golden Wall Investments Limited	Finance company	British Virgin Islands	100
Waterford Investments Limited	Holding company	Guernsey	100
Leno Investment Limited	Holding company	Guernsey	100
Laguna Estates (Leeds) Limited (in liquidation)	Holding company	United Kingdom	100
PPHE Coop B.V.	Holding company	Netherlands	100
Euro Sea Hotels N.V.	Holding company	Netherlands	100
County Hall Hotel Holdings B.V. (formerly known as PPHE Arena Holding B.V.)	Holding company	Netherlands	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
PPHE Art Holding B.V.	Holding company	Netherlands	100
PPWL Parent B.V.	Holding company	Netherlands	100
Westminster Bridge London B.V.	Holding company	Netherlands	100
Westminster Bridge London (Real Estate) B.V.	Holding company	Netherlands	100
1 Westminster Bridge Plaza Management Company Limited	Hotel operation	United Kingdom	50.4
Marlbray Limited	Holding company	United Kingdom	100
Park Plaza Hospitality Services (UK) Limited	Hotel operation	United Kingdom	100
Westminster Bridge Hotel Operator Limited	Hotel operation	United Kingdom	100
Park Plaza Hotels Europe Holdings B.V.	Holding company	Netherlands	100
Suf Holding B.V.	Holding company	Netherlands	100
PPHE Histria Charter d.o.o. (in liquidation)	Holding company	Croatia	100
PPHE Netherlands B.V. (formerly Maastricht Hotel Holding B.V.)	Holding company	Netherlands	100
Bora B.V. (formerly known as WH/DMREF Bora B.V.)	Holding company	Netherlands	100
Hotel Club Construction B.V. (formerly Hotel Maastricht B.V.)	Holding company	Netherlands	100
art'amsterdam Hotel Operator B.V.	Hotel operation	Netherlands	100
Eindhoven Hotel Operator B.V.	Hotel operation	Netherlands	100
Utrecht Hotel Operator B.V.	Hotel operation	Netherlands	100
Utrecht Hotel Holding B.V.	Holding company	Netherlands	100
Amsterdam Hotel Holding B.V.	Holding company	Netherlands	100
W29 Development LLC	Holding company	Delaware	100

Name of company	Principal Activity	Country of incorporation	Direct and indirect holdings %
W29 Owner LLC	Holding company	Delaware	100
PPHE Hoxton B.V.	Holding company	Netherlands	100
Dvadeset devet d.o.o. (in liquidation)	Holding company	Croatia	100
Park Plaza Hotels (Germany) Services GmbH	Hotel operation	Germany	100
PPHE Living Limited	Holding company	United Kingdom	100
Hotel Nottingham 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
Leeds Hotel Operator Limited (formerly Nottingham Park Plaza Hotel Operator Limited)	Hotel operation	United Kingdom	100
Sherlock Holmes Hotel Shop Limited	Hotel operation	United Kingdom	100
Hotel Leeds Holding B.V.	Holding company	Netherlands	100
PPHE UK Holding B.V. (formerly Club Euro Hotels B.V.)	Holding company	Netherlands	100
Park Royal Hotel Holding B.V. (formerly known as Club A40 Holding B.V.)	Holding company	Netherlands	100
Park Royal Hotel Operator Limited (formerly known as Club A40 Hotel Operator Limited)	Holding company	United Kingdom	100
A40 Office B.V.	Holding company	Netherlands	100
A40 Data Centre B.V.	Holding company	Netherlands	100
North Lambeth Holding B.V.	Holding company	Netherlands	100
PPHE USA Holding B.V.	Holding company	Netherlands	100
PPHE USA B.V.	Holding company	Netherlands	100
PPHE West 29th Street USA Inc	Holding company	Delaware	100
Park Plaza Hotels Europe B.V.	Management	Netherlands	100
Park Plaza Hotels (UK) Services Limited	Management	United Kingdom	100
Artotel (I.L.) Management Services Limited	Holding company	Israel	100
Park Plaza Hotels (Germany) Services GmbH	Management	Germany	52.93
PPHE NL Region B.V.	Holding company	Netherlands	100
PPHE Management (Croatia) B.V.	Holding company	Netherlands	100
Park Plaza Hotels Europe (Germany) B.V.	Holding company	Netherlands	100
PPHE Germany B.V.	Holding company	Netherlands	100
Sugarhill Investments B.V.	Holding company	Netherlands	52.93
Germany Real Estate B.V.	Holding company	Netherlands	52.93
ACO Hotel Holding B.V.	Holding company	Netherlands	52.93
ABK Hotel Holding B.V.	Holding company	Netherlands	52.93
PPHE Germany Holdings GmbH	Holding company	Germany	52.93
PPHE Nürnberg Operator Hotelbetriebsgesellschaft mbH	Hotel operation	Germany	52.93
Park Plaza Germany Holdings GmbH	Holding company	Germany	52.93
Riverbank Hotel Holding B.V.	Holding company	Netherlands	100
Riverbank Hotel Operator Limited	Hotel operation	United Kingdom	100
Grandis Netherlands Holdings B.V.	Holding company	Netherlands	100
Sherlock Holmes Park Plaza Limited	Hotel operation	United Kingdom	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 London (Real Estate) B.V.	Holding company	Netherlands	100

Name of company	Principal Activity	Country of incorporation	Direct and indirect holdings %
Victoria Park Plaza Operator Limited	Hotel operation	United Kingdom	100
TOZI Restaurant Operator Limited	Holding operation	United Kingdom	100
Park Plaza Nürnberg GmbH	Hotel operation	Germany	52.93
Park Plaza Berlin Hotelbetriebsgesellschaft mbH	Hotel operation	Germany	100
Park Plaza Hotels Berlin Wallstrasse GmbH	Hotel operation	Germany	52.93
art'otel berlin city center west GmbH	Hotel operation	Germany	52.93
art'otel dresden/park plaza betriebsgesellschaft mbH (in liquidation)	Hotel operation	Germany	100
art'otel köln betriebsgesellschaft mbH	Hotel operation	Germany	52.93
SW Szállodaüzemeltetö Kft	Hotel operation	Hungary	52.93
Bora Finco B.V.	Holding company	Netherlands	100
Dvadeset Osam d.o.o. (formerly known as W2005/Dvadeset Osam d.o.o.)	Holding company	Croatia	100
Arena Hospitality Group d.d.	Hotel operation	Croatia	52.93
Ulika d.o.o.	Holding company	Croatia	52.93
Mazurana d.o.o.	Holding company	Croatia	52.93
PPHE Zagreb d.o.o (in liquidation)	Holding company	Croatia	100
Arena Hospitality Management d.o.o.	Management	Croatia	52.93
Victoria Monument B.V.	Holding company	Netherlands	100
The Mandarin Hotel B.V.	Hotel operation	Netherlands	100
Parkvondel Hotel Holding B.V.	Holding company	Netherlands	100
Parkvondel Hotel Real Estate B.V.	Hotel owning company	Netherlands	100
Parkvondel Hotel Operator B.V..	Hotel operation	Netherlands	100
Amalfa Investments B.V.	Holding company	Netherlands	100
Victory Enterprises I B.V.	Holding company	Netherlands	100
Victory Enterprises II B.V.	Holding company	Netherlands	100
Victoria Schiphol Holding B.V.	Holding company	Netherlands	100
Schiphol Victoria Hotel C.V.	Hotel operation	Netherlands	100
Amsterdam Airport Operator B.V.	Holding company	Netherlands	100
Victoria Hotel & Restaurant Investment B.V.	Holding company	Netherlands	100
Victoria Hotel C.V.	Hotel operation	Netherlands	100
Utrecht Victoria Hotel C.V.	Hotel operation	Netherlands	100
Victoria Amsterdam Hotel Operator B.V.	Holding company	Netherlands	100
W29 Development LLC	Holding company	Delaware	100
W29 Owner LLC	Holding company	Delaware	100

Jointly controlled entities

Name of company	Principal Activity	Country of incorporation	Proportion of ownership interest %
art'otel berlin mitte/Park Plaza Betriebsgesellschaft mbH[1]	Hotel operation	Germany	50
Park Plaza Betriebsgesellschaft mbH[1]	Hotel operation	Germany	50
PPBK Hotel Holding B.V. (formerly known as ABK Hotel Holding B.V.)[1]	Holding company	Netherlands	50
ABM Hotel Holding B.V.[1]	Holding company	Netherlands	50

1 Indirectly held through Arena Hospitality Group d.d.

Current renovation, repositioning and pipeline projects

Project	Location	Scope	Status
Arena Kažela Campsite	Istria, Croatia	Second phase repositioning	Expected to be completed 2020
Verudela Beach Resort, Pula	Istria, Croatia	Repositioning	Expected to be completed 2020
Hotel Brioni, Pula	Istria, Croatia	Repositioning	Expected to be completed 2021
art'otel london battersea power station*	London, United Kingdom	New development	Expected to open 2022
art'otel london hoxton	London, United Kingdom	New development	Expected to open 2023
art'otel in New York City	New York City, United States	New development	Expected to open 2023
88 Rooms Hotel	Belgrade, Serbia	Acquisition	Expected to be completed 2020
Hotel Zagreb	Zagreb, Croatia	New development	Expected to open 2022

* Management contract

GLOSSARY

Adjusted	Excluding the effect of exceptional items and any relevant tax.
Annual General Meeting	The Annual General Meeting of PPHE Hotel Group on 19 May 2020.
Annual Report and Accounts	The Annual Report of PPHE Hotel Group in relation to the year ended 31 December 2019.
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 26 owned, co-owned, leased and managed properties with approximately 10,000 rooms and accommodation units in Croatia, Germany and Hungary. PPHE Hotel Group has a controlling ownership interest in Arena Hospitality Group. www.arenahospitalitygroup.com
Arena Hotels & Apartments	A collection of hotels and self-catering apartment complexes offering relaxed and comfortable accommodation within beachfront locations across the historical settings of Pula and Medulin in Istria, Croatia. They operate under the Arena Hospitality Group umbrella, of which PPHE Hotel Group is a controlling shareholder.
ARR	Average room rate. Total room revenue divided by number of rooms sold.
art'otel®	A lifestyle collection of hotels that fuse exceptional architectural style with art-inspired interiors, located in cosmopolitan centres across Europe. PPHE Hotel Group is owner of the art'otel® brand worldwide. www.artotels.com
Basic earnings per ordinary share	Profit available for PPHE Hotel Group equity holders divided by the weighted average number of ordinary shares in issue during the year.
Board	Eli Papouchado (Non-Executive Chairman), Boris Ivesha (President & Chief Executive Officer), Daniel Kos (Chief Financial Officer & Executive Director), Kevin McAuliffe (Non-Executive Deputy Chairman), Nigel Jones (Non-Executive Director and Senior Independent Director), Dawn Morgan (Non-Executive Director), Ken Bradley (Non-Executive Director) and Nigel Keen (Non-Executive Director).
Capital expenditure	Purchases of property, plant and equipment, intangible assets, associate and joint venture investments, and other financial assets.
Company	PPHE Hotel Group Limited, a Guernsey incorporated Company listed on the Main Market of the London Stock Exchange plc.
Compound Annual Growth Rate – CAGR	Annual growth rate over a period of years, calculated on the basis that each year's growth is compounded, that is, the amount of growth in each year is included in the following year's number, which in turn grows further.
Comprehensive income per share	Comprehensive income attributable to the parent company's shareholders divided by the weighted average number of outstanding shares after dilution at the end of the period.
Derivatives	Financial instruments used to reduce risk, the price of which is derived from an underlying asset, index or rate.
Direct channels	Methods of booking hotel rooms (both digital and voice) not involving third party intermediaries.
Dividend per share	Proposed/approved dividend for the year divided by the weighted average number of outstanding shares after dilution at the end of the period.
Earnings (loss) per share	Basic earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.
EBIT	Earnings before interest and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EBITDA margin	EBITDA divided by total revenue.
EBITDAR	Revenue less cost of revenues (operating expenses). EBITDAR, together with EBITDA, is used as a key management indicator.
Employee engagement survey	We ask our team members to participate in a survey to measure employee engagement.
EPRA (European Public Real Estate Association)	The EPRA reporting metrics analyse performance (value, profit and cash flow) given that we have full ownership of the majority of our properties.
EPS	Earnings per share.
Equity/assets ratio	Recognised equity as a percentage of total assets.
EU	The European Union.
Euro/€	The currency of the European Economic and Monetary Union.
Exceptional items	Items that are disclosed separately because of their size or nature.
Exchange rates	The exchange rates used were obtained from the local national banks website.
FF&E	Furniture, fittings and equipment.
Franchise	A form of business organisation in which a company which already has a successful product or service (the franchisor) enters into a continuing contractual relationship with other businesses (franchisees) operating under the franchisor's trade name and usually with the franchisor's guidance, in exchange for a fee.
Franchisee	An owner who uses a brand under licence from PPHE Hotel Group.
Goodwill	The difference between the consideration given for a business and the total of the fair values of the separable assets and liabilities comprising that business.
GRS	Guest Rating Score is the online reputation score used by ReviewPro – an industry leader in guest intelligence solutions.
Guernsey	The Island of Guernsey.
Hotel revenue	Revenue from all revenue-generating activity undertaken by managed and owned and leased hotels, including room nights, food and beverage sales.
Income units	Cash flows derived from the net income generated by rooms in Park Plaza Westminster Bridge London, which have been sold to private investors.

Like-for-like	Results achieved through operations that are comparable with the operations of the previous year. Current years' reported results are adjusted to have an equivalent comparison with previous years' results in the same period, with similar seasonality and the same set of hotels.
Like-for-like hotels including renovation	Like-for-like hotels plus hotels under renovation during the current and/or previous financial year compared.
Loan-to-value ratio	Interest-bearing liabilities after deducting cash and cash equivalents as a percentage of the properties' market value at the end of the period.
LSE	London Stock Exchange. PPHE Hotel Group's shares are traded on the Premium Listing segment of the Official List of the UK Listing Authority.
Market capitalisation	The value attributed to a listed Company by multiplying its share price by the number of shares in issue.
Market share	The amount of total sales of an item or group of products by a company in a particular market. It is often shown as a percentage, and is a good indicator of performance compared to competitors in the same market sector.
Net asset value (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, divided by the total number of shares outstanding after dilution at the end of the period.
Net debt	Borrowings less cash and cash equivalents, including the exchange element of the fair value of currency swaps hedging the borrowings.
Number of properties	Number of owned hotel properties at the end of the period.
Number of rooms	Number of rooms in owned hotel properties at the end of the period.
Occupancy	Total occupied rooms divided by net available rooms or RevPAR divided by ARR.
Online travel agent	Online companies whose websites permit consumers to book various travel related services directly over the Internet.
parkplaza.com	Brand website for Park Plaza® Hotels & Resorts.
Park Plaza hotel	One hotel from the Park Plaza® Hotels & Resorts brand.
Park Plaza® Hotels & Resorts	Upscale and upper upscale hotel brand. PPHE Hotel Group is master franchisee of the Park Plaza® Hotels & Resorts brand owned by Radisson Hotel Group. PPHE Hotel Group has the exclusive right to develop the brand across 56 countries in Europe, the Middle East and Africa. parkplaza.com
Pipeline	Hotels/rooms that will enter the PPHE Hotel Group system at a future date.
Pound Sterling/£	The currency of the United Kingdom.
PPHE Hotel Group	PPHE Hotel Group is also referred to as the Group and is an international hospitality real estate group. Through its subsidiaries, jointly controlled entities and associates, the Group owns, co-owns, develops, leases, operates and franchises hospitality real estate. The Group's primary focus is full-service upscale, upper upscale and lifestyle hotels in major gateway cities and regional centres, as well as hotel, resort and campsite properties in select resort destinations.
Radisson Hotel Group	Created in early 2018, one of the largest hotel companies in the world. Hotel brands owned by Radisson Hotel Group are Radisson Collection™, Radisson Blu®, Radisson®, Radisson RED®, Park Plaza®, Park Inn® by Radisson, and Country Inn & Suites® by Radisson. The portfolio of Radisson Hotel Group includes more than 1,400 hotels in operation and under development, located across 115 countries and territories, operating under global hotel brands. Jin Jiang International Holdings is the majority shareholder of Radisson Hotel Group. www.radissonhotelgroup.com
Radisson Rewards™	The hotel rewards programme of Radisson Hotel Group, including Park Plaza® Hotels & Resorts and art'otel®. The programme is owned by Radisson Hotel Group. Gold Points® is the name of the currency earned through the Radisson Rewards™ programme. www.radissonrewards.com
Responsible Business	PPHE Hotel Group's Responsible Business strategy is a genuine, active and responsible commitment to our environment and society.
RevPAR	Revenue per available room. Total rooms revenue divided by net available rooms or ARR x occupancy %.
Room count	Number of rooms franchised, managed, owned or leased by PPHE Hotel Group.
Subsidiary	A company over which the Group exercises control.
Weighted average number of shares outstanding during the year	The weighted average number of outstanding shares taking into account changes in the number of shares outstanding during the year.
Working capital	The sum of inventories, receivables and payables of a trading nature, excluding financing and taxation items.

Directors

Eli Papouchado	(Non-Executive Chairman)
Boris Ivesha	(President & Chief Executive Officer)
Daniel Kos	(Chief Financial Officer & Executive Director)
Kevin McAuliffe	(Non-Executive Deputy Chairman)
Nigel Jones	(Non-Executive Director & Senior Independent Director)
Dawn Morgan	(Non-Executive Director)
Ken Bradley	(Non-Executive Director)
Nigel Keen	(Non-Executive Director)

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Hudson Sandler LLP
25 Charterhouse Square
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United Kingdom

Useful links
Company websites
pphe.com
arenahospitalitygroup.com

For reservations
parkplaza.com
artotels.com
arenahotels.com
arenacampsites.com

Strategic partner
radissonhotelgroup.com

Forward-looking statements
This document may contain certain "forward-looking statements" which reflect the Company's and/or the Directors' current views with respect to financial performance, business strategy and future plans, both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward-looking nature. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. Any forward-looking statements in this document reflect the Group's current views with respect to future events and are subject to risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy. These forward-looking statements speak only as of the date on which they are made. Subject to any legal or regulatory obligations, the Company undertakes no obligation publicly to update or review or revise any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Nothing in this document should be considered as a profit forecast."

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