

PPHE Hotel Group Limited
("PPHE Hotel Group", "PPHE, or the "Group")

Audited Annual Results for the financial year ended 31 December 2023
Publication of Annual Report & Accounts

Record revenue and EBITDA performance, and significant increase in dividend

PPHE Hotel Group, the international hospitality real estate group which develops, owns and operates hotels and resorts, is pleased to announce its audited annual results for the financial year ended 31 December 2023.

Summary

Reported in GBP (£)

	Year ended 31 December 2023	Year ended 31 December 2022	Variance
Total revenue	£414.6 million	£330.1 million	+25.6%
EBITDA	£128.2 million	£94.6 million	+35.5%
EPRA NRV per share	£26.72	£25.17	+6.2%
Adjusted EPRA earnings per share	118p	50p	+136.0%
Dividend per share	36p	15p	+140.0%
Occupancy	72.4%	60.0%	+1,240 bps
Average room rate	£166.8	£160.4	+4.0%
RevPAR	£120.7	£96.2	+25.5%

Commenting on the results, Boris Ivesha, President & Chief Executive Officer, PPHE Hotel Group said:

"PPHE continues to deliver significant growth and value creation through the hard work and dedication of our teams. In 2023, we achieved record levels of revenue and EBITDA, with EPRA earnings and NRV per share above 2022 levels, enabling us to propose a significantly enhanced dividend for shareholders. Meanwhile, we continued to deliver on our highly anticipated development pipeline, growing both our proprietary art'otel brand and our Radisson branded hotels, as well as delivering meaningful EBITDA upside.

2024 is set to be a very exciting year for the Group, as we are set to open our art'otel London Hoxton and art'otel Rome Piazza Sallustio, and we are able to welcome ever-increasing numbers of guests. The new year has started well and has seen a continuation of our strong momentum, which supports the Board's confidence in the Group's outlook."

Financial highlights

- Total revenue increased by 25.6% to a record £414.6 million (2022: £330.1 million).
- EBITDA increased by 35.5% to £128.2 million, a record for the Group (2022: £94.6 million).
- Improved EBITDA margin of 30.9% (2022: 28.7%), due to the successful mitigation of inflationary and sector-specific costs through proactive investments in energy efficiency and our people.
- EPRA NRV per share increased by 6.2% to £26.72 (2022: £25.17), with our December 2023 external property valuations showing further growth over 2022. Despite higher interest rates, valuations have risen due to the benefit of improved trading and upgraded outlook.
- Adjusted EPRA earnings per share improved by 136.0% to 118 pence (2022: 50 pence).
- The Group continued to rebuild occupancy, whilst increasing average room rates:

- Occupancy increased to 72.4%, reflecting sustained growth throughout the year (2022: 60.0%).
- Average room rate continued to increase, by 4.0% to £166.8 (2022: £160.4).
- RevPAR was up 25.5% at £120.7 (2022: £96.2).
- The UK and The Netherlands performed well across all segments, driving occupancy and rate growth alike. Operations in Croatia also saw solid demand including during the peak summer period, with Grand Hotel Brioni Pula trading its first full year.
- Enhanced shareholder returns, with a final proposed dividend of 20p per share which, including the 16p interim dividend paid, would deliver a total dividend for 2023 of 36p per share (2022: 15p per share). The Group re-instated its progressive dividend policy, whereby the prospective dividend should be approximately 30% of adjusted EPRA earnings.

Strategic highlights

- On track with £300+ million pipeline which is nearing completion in H1 2024:
 - Fully opened premium lifestyle **art'otel London Battersea Power Station** (February 2023) and soft launched **art'otel Zagreb** (October 2023).
 - Signed first **Radisson RED** branded property which opened in **Belgrade, Serbia** (February 2024), following an extensive repositioning.
 - Highly anticipated **art'otel** properties in **Hoxton, London** and **Rome, Italy** will launch in H1 2024.
- Other exciting projects planned for 2024 and beyond include:
 - Park Plaza Berlin Kudamm (set to reopen Q2 2024 following extensive renovation works) as the **Radisson RED Berlin Kudamm**, the Group's second Radisson RED property, and third under its expanded partnership with Radisson Hotel Group.
 - Detailed planning is underway to develop a 179-room hotel in a predominantly subterranean space of our **Park Plaza Victoria London** property. This new hotel is expected to have its own brand concept with a dedicated entrance and facilities and services.
- The European Hospitality Fund launched in March 2023 to support the Group's future pipeline and is set to close to new investors in March 2024. Following this, it is anticipated to become a joint venture with cornerstone investor Clal Insurance, with a total potential value of around €300m (with 50% leverage), including the contribution of our 'seed' asset in Rome.
- Continued to progress and enhance ESG initiatives and credentials, overseen by the Board, to support the future prospects of the Group and our assets, including:
 - Investments in the availability and use of renewable energy in our hotels;
 - Energy efficiency programme launched last year to achieve a baseload reduction in power consumption;
 - The achievement or otherwise ambition of BREEAM certifications for our properties; and
 - An intensive emissions mapping process including for Scope 3 to create our ESG targets. We continue to work with the SBTi (Science-Based Targets initiative) to set and verify our formal net zero target.

Post-Period end

- Appointed Greg Hegarty to Co-CEO, to be responsible for day-to-day managing of the Group and implementing the long-term strategy.

Outlook

- Continued momentum into 2024, with overall forward booking levels consistent with those at this point in 2023.
- As previously reported, the mix of corporate and leisure bookings has begun to normalise, with growing demand for meetings and events and an emphasis on rebuilding occupancy. On account of this mix and the rapid growth in average room rate throughout the past three years, we expect average room rate to stabilise during 2024.
- Upon stabilisation of trading, new openings are together targeted to deliver at least £25 million of incremental EBITDA to the Group.
- The Board anticipates that cost inflation will remain in 2024, but will continue to be manageable. Utility cost hedges are expected to positively impact margins and the Group continues to manage labour-related cost pressures, particularly recently announced minimum wage increases, to ensure limited impact on margins. Hedges are also already in place to mitigate the impact of rising interest rates, with most loans fixed to 2028, and no significant loans to refinance before 2026.
- All of the above supports the Board's confidence in its future prospects. Although it is still early in the new financial year, the good start made by the Group underpins confidence that FY2024 performance will be in line with current market consensus¹.

¹ As at 28 February 2024, PPHE complied analysts' consensus forecast range for FY 2024 showed a revenue range of £435.5 million to £466.9 million, with a consensus mean of £450.0m, and an EBITDA range of £135.3 million to £150.9 million, with a consensus mean of £142.7m.

Key financial statistics

	Reported in GBP (£)	
	Year ended 31 December 2023	Year ended 31 December 2022
Total revenue	£414.6 million	£330.1 million
EBITDAR	£130.5 million	£97.0 million
EBITDA	£128.2 million	£94.6 million
EBITDA margin	30.9%	28.7%
Reported PBT	£28.8 million	£11.5 million
Normalised PBT	£37.5 million	£8.3 million
Reported EPS	53p	24p
Adjusted EPRA earnings per share	118p	50p
EPRA NRV per share	£26.72	£25.17p
Occupancy	72.4%	60.0%
Average room rate	£166.8	£160.4
RevPAR	£120.7	£96.2
Room revenue	£300.1 million	£237.8 million

Publication of Annual Report & Accounts

PPHE Hotel Group Limited will publish later today its annual report and accounts for the financial year ended 31 December 2023 (the "Annual Report"). This document shall be available today on the Company's website: www.pphe.com

Pursuant to UK Listing Rule 9.6.1, copies of the Annual Report shall be submitted later today to the National Storage Mechanism and will shortly be available for inspection at: <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>

In accordance with Disclosure Guidance and Transparency Rule 6.3.5, the information in the attached Appendix consisting of a Directors' Responsibility Statement, principal risks and uncertainties and related party transactions has been extracted unedited from the Annual Report & Accounts for the financial year ended 31 December 2023. This material is not a substitute for reading the full Annual Report.

This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of the Company is Daniel Kos, Chief Financial Officer & Executive Director.

- Ends -

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Notes to Editors:

PPHE Hotel Group is an international hospitality real estate company, with a £2.2 billion portfolio, valued as at December 2023 by Savills and Zagreb nekretnine Ltd (ZANE), of primarily prime freehold and long leasehold assets in Europe.

Through its subsidiaries, jointly controlled entities and associates it owns, co-owns, develops, leases, operates and franchises hospitality real estate. Its portfolio includes 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. The Group's strategy is to grow its portfolio of core upper upscale city centre hotels, leisure and outdoor hospitality and hospitality management platform.

PPHE Hotel Group benefits from having an exclusive and perpetual licence from the Radisson Hotel Group, one of the world's largest hotel groups, to develop and operate Park Plaza® branded hotels and resorts in Europe, the Middle East and Africa. In addition, PPHE Hotel Group wholly owns, and operates under, the art'otel® brand and its Croatian subsidiary owns, and operates under, the Arena Hotels & Apartments® and Arena Campsites® brands.

PPHE Hotel Group is a Guernsey registered company with shares listed on the London Stock Exchange. PPHE Hotel Group also holds a controlling ownership interest in Arena Hospitality Group, whose shares are listed on the Prime market of the Zagreb Stock Exchange.

Company websites: www.pphe.com | www.arenahospitalitygroup.com

For reservations:

www.parkplaza.com | www.artotel.com | www.arenahotels.com | www.arenacampsites.com

CHAIRMAN'S STATEMENT

INTRODUCTION

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

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

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

EXTENSIVE PIPELINE NEARS COMPLETION

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

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

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

SUSTAINABILITY IN FOCUS

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

Further details around our new strategy, targets and KPIs are set out in the Strategy and Key Performance Indicator sections of our 2023 Annual Report.

THE BOARD

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

ENHANCED SHAREHOLDER VALUE

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

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

A FUTURE OF GREAT PROMISE

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

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

Eli Papouchado
Chairman

PRESIDENT & CEO'S REVIEW

A FULL RECOVERY

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

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

2023 IN REVIEW

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

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

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

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

STRONG MOMENTUM DELIVERED THROUGHOUT THE YEAR

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

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

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

DELIVERY OF OUR £300+ MILLION DEVELOPMENT PIPELINE

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

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

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

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

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

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

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

CONTINUOUS INVESTMENT IN OUR TEAMS

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

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

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

ESG HIGHLIGHTS

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

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

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

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

COMMITMENT TO SHAREHOLDER RETURNS

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

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

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

LOOKING AHEAD

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

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

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

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

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

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

Boris Ivesha

President & Chief Executive Officer

FINANCIAL REVIEW

OVERVIEW OF 2023

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

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

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

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

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

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

OPERATIONAL PERFORMANCE

Revenue

Total revenue was up 25.6% at £414.6 million and was 15.9% ahead of 2019 levels. RevPAR was £120.7, up 25.5%, and was 16.5% ahead of 2019 levels. This reflected some further growth in average room rate, up 4.0% versus 2022 and 29.8% versus 2019, alongside a consistent recovery in occupancy levels to 72.4%, compared with 60.0% in 2022 and 80.6% in 2019.

Overall, RevPAR levels led to a total room revenue of £300.1 million, up 26.2% versus 2022 and up 19.7% of room revenue in 2019. The 2023 trading comparison with 2022 normalised month-on-month throughout the year. Where the first comparative quarter of 2022 was still heavily impacted by COVID-19 (thus showing significant year-on-year growth), the latter part of 2022 actually showed a fully recovered and strong trading comparable.

FINANCIAL RESULTS

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

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

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

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

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

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

NORMALISED PROFIT

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

EBITDA, PROFIT AND EARNINGS PER SHARE

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

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

Reported basic/diluted earnings per share for the period were 53 pence (2022: 24 pence). Depreciation in the year was £45.1 million (2022: £40.0 million). Depreciation is recorded in accordance with IFRS, however, internally we consider the Group's ongoing average capital expenditure (CAPEX) over the lifespan of our hotels as a more relevant measure in determining profit, which in the hospitality industry is calculated as approximately 4% of total revenue. Our EPRA earnings number is calculated using the 4% rate instead of the reported non-cash depreciation charge (see EPRA Earnings table below).

REAL ESTATE PERFORMANCE

Valuations

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

In December 2023, the Group's properties (with the exception of operating leases and managed and franchised properties) were once again independently valued predominantly by Savills (in respect of properties in the Netherlands, UK and Germany) and by Zagreb nekretnine Ltd (Zane) (in respect of properties in Croatia).

Based on their valuations, we have calculated the Group's EPRA NRV, EPRA NTA and EPRA NDV. The EPRA NRV as at 31 December 2023, set out in the EPRA Performance Measurement section below, amounts to £1,136.4 million (2022: £1,078.7 million), which equates to £26.72 per share (2022: £25.17 per share).

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

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

ACTUALISED TRADING VERSUS ASSUMPTION IN 2023 VALUATIONS

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

Valuation Comparison

2023 versus 2022 valuation – Total portfolio +2.3%

United Kingdom	+2.0%
The Netherlands	+5.5%
Germany	-6.5%
Croatia	+4.0%

CASH FLOW AND EPRA EARNINGS

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

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

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

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

EPRA PERFORMANCE MEASUREMENT

EPRA summary

Summary of EPRA Performance indicators

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

EPRA NRV

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

1 The fully diluted number of shares excludes treasury shares but includes 163,221 outstanding dilutive options (as at 31 December 2022: 150,223).

2 The fair values of the properties were determined on the basis of independent external valuations prepared in December 2023.

3 EPRA NTA and EPRA NDV reflect fair value net of transfer costs. Transfer costs are added back when calculating EPRA NRV.

4 NTA is calculated under the assumption that the Group does not intend to sell any of its properties in the long run.

EPRA EARNINGS

	12 months ended 31 December 2023 £ million	12 months ended 31 December 2022 £ million
Earnings attributed to equity holders of the parent company	22.4	10.2
Reported depreciation and amortisation	45.1	40.0
Revaluation of Park Plaza County Hall London Income Units	(1.6)	(0.3)
Changes in fair value of financial instruments	1.7	(9.6)
Non-controlling interests in respect of the above ³	(8.6)	(7.6)

EPRA Earnings	59.0	32.7
Weighted average number of ordinary shares outstanding	42,541,186	42,522,523
EPRA Earnings per Share (in pence)	139	77
Company specific adjustments:¹		
Capital loss on buy-back of Income Units in Park Plaza Westminster Bridge London	3.3	1.5
Remeasurement of lease liability ⁴	3.9	3.7
Disposals and Other non-recurring expenses (including pre-opening expenses) ⁷	1.4	1.5
Adjustment of lease payments ⁵	(2.3)	(2.2)
One-off tax adjustments ⁶	(2.5)	(5.8)
Maintenance CAPEX ²	(16.6)	(13.2)
Non-controlling interests in respect of Maintenance CAPEX and the adjustments above ³	3.9	3.0
Company Adjusted EPRA Earnings¹	50.1	21.2
Company Adjusted EPRA Earnings per Share (in pence)	118	50
Reconciliation Company adjusted EPRA earnings to normalised PBT:		
Company Adjusted EPRA Earnings ¹	50.1	21.2
Reported depreciation and amortisation	(45.1)	(40.0)
Non-controlling interest in respect of reported depreciation ³	8.6	7.6
Maintenance CAPEX ²	16.6	13.2
Non-controlling interests in respect of Maintenance CAPEX and the adjustments above ³	(3.9)	(3.0)
Adjustment of lease payments ⁵	2.3	2.2
One-off tax adjustments ⁶	2.5	5.8
Profit attributable to non-controlling interests ³	4.7	4.7
Reported tax	1.7	(3.4)
Normalised profit before tax	37.5	8.3

1 The 'Company specific adjustments' represent adjustments of non-recurring or non-trading items.

2 Calculated as 4% of revenues, which represents the expected average maintenance capital expenditure required in the operating properties.

3 Non-controlling interests include the non-controlling shareholders in Arena, third party investors in Income Units of Park Plaza Westminster Bridge London and the non-controlling shareholders in the partnership with Clal that was entered into in June 2021 and March 2023.

4 Non-cash revaluation of finance lease liability relating to minimum future CPI/RPI increases.

5 Lease cash payments which are not recorded as an expense in the Group's income statement due to the implementation of IFRS 16.

6 Mainly relates to deferred tax asset on carry forward losses recorded in 2023.

7 Mainly relates to pre-opening expense and net profit and loss on disposal of property, plant and equipment.

OTHER EPRA MEASUREMENTS

Given that the Group's asset portfolio is comprised of hotels, resorts and campsites which are also operated by the Group, a few of EPRA's performance measurements, which are relevant to real estate companies with passive rental income, have not been disclosed as they are not relevant or non-existent. Those EPRA performance measurements include EPRA Net Initial Yield (NIY), EPRA 'Topped-up' NIY, EPRA Vacancy Rate and EPRA Cost Ratios.

CAPITAL STRUCTURE

Call impact minorities and future

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

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

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

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

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

EUROPEAN HOSPITALITY REAL ESTATE FUND

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

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

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

NET DEBT LEVERAGE/EPRA LTV RECONCILIATION

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

Total Property Value after adjustments (c)	1,256.5	954.2	2,210.7	(514.8)	1,695.9
Total Equity (c-a)	531.2	954.2	1,485.4	(349.0)	1,136.4

1 Proportionate consolidation was not applied to the Joint ventures as it is considered as not material.

CAPITAL EXPENDITURE/DEVELOPMENT PIPELINE UPDATE

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

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

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

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

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

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

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

DIVIDEND

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

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

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

Daniel Kos

Chief Financial Officer & Executive Director

BUSINESS REVIEW

INTRODUCTION

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

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

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

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

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

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

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

Greg Hegarty

Co-Chief Executive Officer & Executive Director

UNITED KINGDOM

PROPERTY PORTFOLIO

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

Four of the Group's London hotels are in the popular South Bank area of London, with further properties in Victoria, Marylebone, Battersea and Park Royal. There are also three properties located in the UK regional cities of Nottingham, Leeds and Cardiff².

The Group has an ownership interest in ten properties: Park Plaza Westminster Bridge London, Park Plaza London Riverbank, Park Plaza London Waterloo, Park Plaza County Hall London², Park Plaza Victoria London, Park Plaza London Park Royal, art'otel London Hoxton, Holmes Hotel London, Park Plaza Leeds and Park Plaza Nottingham. Park Plaza Cardiff² operates under a franchise agreement. The Group operates art'otel London Battersea Power Station² hotel under a long-term management agreement through its hospitality platform.

Total value of the UK property portfolio¹ £1,014m (2022: £991m)

FINANCIAL PERFORMANCE

Reported in Pound Sterling (£)

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

1 Independent valuation by Savills in December 2023 and excluding the London development sites art'otel London Hoxton and Westminster Bridge Road.

2 Revenues derived from these hotels are accounted for in Management and Holdings, and their values and results are excluded from the data provided in this section.

PORTFOLIO PERFORMANCE

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

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

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

DEVELOPMENT PIPELINE

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

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

HOSPITALITY MANAGEMENT PLATFORM PROJECTS

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

THE UNITED KINGDOM HOTEL MARKET*

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

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

* Source STR European Hotel Review, December 2023.

THE NETHERLANDS

PROPERTY PORTFOLIO

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

Total value of the Netherlands property portfolio¹ £318m (2022: £307m)

FINANCIAL PERFORMANCE

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

¹ Independent valuation by Savills in December 2023.

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

PORTFOLIO PERFORMANCE

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

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

THE DUTCH HOTEL MARKET*

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

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

* Source STR European Hotel Review, December 2023.

CROATIA

PROPERTY PORTFOLIO

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

Total value of the Croatian property portfolio¹ £361m (2022: £334m)

FINANCIAL PERFORMANCE

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

1 Independent valuation by Zagreb nekretnine Ltd in December 2023.

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

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

4 Since 1 January 2023, the Group's Croatian portfolio performance has been reported in euros, following Croatia's admission to the eurozone.

PORTFOLIO PERFORMANCE

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

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

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

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

ASSET MANAGEMENT PROJECTS

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

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

DEVELOPMENT PROJECTS

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

GERMANY

PROPERTY PORTFOLIO

The Group's portfolio includes four properties in Berlin and one hotel each in Cologne, Nuremberg and Trier. Hotels with an ownership interest include Park Plaza Berlin Kudamm (relaunching in Q2 2024 as Radisson RED Berlin Kudamm)³, Park Plaza Nuremberg, art'otel Berlin Mitte³, Park Plaza Berlin and art'otel Cologne. Park Plaza Wallstreet Berlin Mitte operates under an operating lease and Park Plaza Trier³ operates under a franchise agreement.

Total value of the German property portfolio¹ £92m (2022: £100m)

FINANCIAL PERFORMANCE

Germany	Reported in Pound Sterling ² (£)					Reported in local currency Euro (€)				
	Year ended 31 Dec 2023	Year ended 31 Dec 2022	% change	Year ended 31 Dec 2019	% change	Year ended 31 Dec 2023	Year ended 31 Dec 2022	% change	Year ended 31 Dec 2019	% change
Total revenue	£22.8m	£17.7m	28.4%	£24.2m	(6.1)%	€26.2m	€20.8m	26.0%	€27.7m	(5.4)%
EBITDAR	£5.5m	£6.4m	(14.2)%	£7.0m	(21.6)%	€6.3m	€7.5m	(15.7)%	€8.0m	(21.0)%

EBITDA	£5.5m	£6.4m	(14.2)%	£7.0m	(21.6)%	€6.3m	€7.5m	(15.7)%	€8.0m	(21.0)%
Occupancy	62.3%	53.0%	930 bps	79.4%	(1,715) bps	62.3%	53.0%	930 bps	79.4%	(1,715) bps
Average room rate	£120.3	£110.3	9.0%	£96.7	24.3%	€138.4	€129.3	7.1%	€110.5	25.2%
RevPAR	£74.9	£58.4	28.2%	£76.8	(2.5)%	€86.2	€68.5	25.9%	€87.8	(1.8)%
Room revenue		£15.2m	28.2%	£20.0m	(2.5)%	€22.5m		25.9%		(1.8)%
	£19.5m						€17.8m		€22.9m	
EBITDA margin	24.0%	35.9%	(1,190) bps	28.8%	(480) bps	24.0%	35.9%	(1,190) bps	28.8%	(480) bps

1 Independent valuation by Savills in December 2023.

2 Average exchange rate from Euro to Pound Sterling for the period ended 31 December 2023 was 1.151 and for the period ended 31 December 2022 was 1.172, representing a 1.8% decrease.

3 Revenues derived from these hotels are accounted for in Management and Central Services performance and their values and results are excluded from the data provided in this section.

PORTFOLIO PERFORMANCE

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

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

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

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

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

ASSET MANAGEMENT PROJECTS

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

THE GERMAN HOTEL MARKET*

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

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

* Source STR European Hotel Review, December 2023.

OTHER MARKETS

ITALY, HUNGARY, SERBIA AND AUSTRIA

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

FINANCIAL PERFORMANCE

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

NASSFELD, AUSTRIA

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

ROME, ITALY

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

BELGRADE, SERBIA

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

BUDAPEST, HUNGARY

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

MANAGEMENT AND CENTRAL SERVICES

OUR PERFORMANCE

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

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

For the year ended 31 December 2023, the segment showed a significant improvement due to the recovery. Management, Group central services and licence, sales and marketing fees are calculated as a percentage of revenues and profit, and therefore are affected by underlying hotel performance.

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

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

Consolidated Statement of Financial Position

for the year ended 31 December 2023

	2023 £'000	2022 £'000
Assets		
Non-current assets:		
Intangible assets	10,665	12,805
Property, plant and equipment	1,412,830	1,335,184
Right-of-use assets	229,215	225,443
Investment in joint ventures	5,438	4,961
Other non-current assets	39,646	47,245
Restricted deposits and cash	10,385	9,272
Deferred income tax asset	13,833	12,909
	1,722,012	1,647,819
Current assets:		
Restricted deposits and cash	6,909	9,229
Inventories	3,288	3,181
Trade receivables	17,880	18,533
Other receivables and prepayments	23,260	17,866
Cash and cash equivalents	150,416	163,589
	201,753	212,398
Total assets	1,923,765	1,860,217
Equity and liabilities		
Equity:		
Issued capital	–	–
Share premium	133,469	133,177
Treasury shares	(6,873)	(5,472)
Foreign currency translation reserve	13,903	20,039
Hedging reserve	7,801	10,950
Accumulated earnings	166,281	156,364
Attributable to equity holders of the parent	314,581	315,058
Non-controlling interests	216,592	188,187
Total equity	531,173	503,245
Non-current liabilities:		
Borrowings	845,199	817,631
Provision for concession fee on land	5,233	5,331
Financial liability in respect of Income Units sold to private investors	114,287	121,084
Other financial liabilities	280,200	265,494
Deferred income taxes	5,878	5,922
	1,250,797	1,215,462
Current liabilities:		
Trade payables	14,809	13,565
Other payables and accruals	79,149	80,844
Borrowings	47,837	47,101
	141,795	141,510
Total liabilities	1,392,592	1,356,972
Total equity and liabilities	1,923,765	1,860,217

The accompanying notes are an integral part of the consolidated financial statements. Date of approval of the financial statements 28 February 2024. Signed on behalf of the Board by Boris Ivesha and Daniel Kos.

Boris Ivesha
President & Chief Executive Officer

Daniel Kos
Chief Financial Officer & Executive Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	As at 31 December	
	2023 £'000	2022 £'000
Revenues	414,598	330,091
Operating expenses	(284,090)	(233,087)
EBITDAR	130,508	97,004
Rental expenses	(2,332)	(2,421)
EBITDA	128,176	94,583
Depreciation and amortisation	(45,068)	(40,006)
EBIT	83,108	54,577
Financial expenses	(36,145)	(37,257)
Financial income	4,758	1,516
Other expenses	(13,046)	(6,791)
Other income	4,416	9,992
Net expenses for financial liability in respect of Income Units sold to private investors	(14,156)	(10,783)
Share in results of joint ventures	(113)	202
Profit before tax	28,822	11,456
Income tax (expense) benefit	(1,677)	3,356
Profit for the year	27,145	14,812
Profit attributable to:		
Equity holders of the parent	22,415	10,159
Non-controlling interests	4,730	4,653
	27,145	14,812
Basic and diluted profit per share (in Pound Sterling)	0.53	0.24

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2023

	As at 31 December	
	2023 £'000	2022 £'000
Profit for the year	27,145	14,812
Other comprehensive income (loss) to be recycled through profit and loss in subsequent periods:¹		
Profit (loss) from cash flow hedges	(5,007)	21,133
Foreign currency translation adjustments of foreign operations	(8,463)	22,000
Other comprehensive income (loss)	(13,470)	43,133
Total comprehensive income	13,675	57,945
Total comprehensive income (loss) attributable to:		
Equity holders of the parent	13,812	37,732
Non-controlling interests	(137)	20,213
	13,675	57,945

¹ There is no other comprehensive income that will not be reclassified to the profit and loss in subsequent periods.

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

In £'000	Issued capital ¹	Share premium	Treasury shares	Foreign currency translation reserve	Hedging reserve	Accumulated earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance as at 1 January 2023	–	133,177	(5,472)	20,039	10,950	156,364	315,058	188,187	503,245
Profit for the year	–	–	–	–	–	22,415	22,415	4,730	27,145
Other comprehensive income (loss) for the year	–	–	–	(6,027)	(2,576)	–	(8,603)	(4,867)	(13,470)
Total comprehensive income (loss)	–	–	–	(6,027)	(2,576)	22,415	13,812	(137)	13,675
Share-based payments	–	442	–	–	–	93	535	87	622
Share buy-back	–	–	(1,621)	–	–	–	(1,621)	–	(1,621)
Dividend distribution ²	–	–	–	–	–	(11,897)	(11,897)	–	(11,897)
Dividend distribution by a subsidiary	–	–	–	–	–	–	–	(1,436)	(1,436)
Exercise of options	–	(150)	220	–	–	–	70	–	70
Transactions with non-controlling interests	–	–	–	(109)	(573)	(694)	(1,376)	29,891	28,515
Balance as at 31 December 2023	–	133,469	(6,873)	13,903	7,801	166,281	314,581	216,592	531,173
Balance as at 1 January 2022	–	131,229	(3,482)	3,806	(434)	147,350	278,469	168,742	447,211
Profit for the year	–	–	–	–	–	10,159	10,159	4,653	14,812
Other comprehensive income for the year	–	–	–	16,191	11,382	–	27,573	15,560	43,133
Total comprehensive income	–	–	–	16,191	11,382	10,159	37,732	20,213	57,945
Share-based payments	–	2,056	–	–	–	–	2,056	81	2,137
Share buy-back	–	–	(2,098)	–	–	–	(2,098)	–	(2,098)
Dividend distribution ²	–	–	–	–	–	(1,278)	(1,278)	–	(1,278)
Exercise of options	–	(108)	108	–	–	–	–	–	–
Transactions with non-controlling interests	–	–	–	42	2	133	177	(849)	(672)
Balance as at 31 December 2022	–	133,177	(5,472)	20,039	10,950	156,364	315,058	188,187	503,245

1 No par value.

2 The dividend distribution comprises a final dividend for the year ended 31 December 2022 of 12.0 pence per share (31 December 2021: nil pence per share) and an interim dividend of 16.0 pence per share paid in 2023 (2022: 3.0 pence per share).

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2023

	As at 31 December	
	2023 £'000	2022 £'000
Cash flows from operating activities:		
Profit for the year	27,145	14,812
Adjustment to reconcile profit to cash provided by operating activities:		
Financial expenses and expenses for financial liability in respect of Income Units sold to private investors	50,301	48,040
Financial income	(4,758)	(1,516)
Income tax expense (benefit)	1,677	(3,356)
Loss on buy-back of Income Units sold to private investors	3,266	1,499
Re-measurement of lease liability	3,852	3,704
Revaluation of Park Plaza County Hall London Units	(1,600)	(300)
Capital loss on sale of fixed assets, net	29	47
Share in results of joint ventures	113	(202)
Share appreciation rights revaluation	(2,816)	119
Fair value movement derivatives through profit and loss	4,553	(9,692)
Depreciation and amortisation	45,068	40,006
Share-based payments	622	2,137
	100,307	80,486
Changes in operating assets and liabilities:		
Increase in inventories	(152)	(1,228)
Increase in trade and other receivables	(1,803)	(16,118)
Increase in trade and other payables	1,795	20,772
	(160)	3,426
Cash paid and received during the period for:		
Interest paid	(50,104)	(43,520)
Interest received	3,721	1,728
Taxes paid	(2,558)	(311)
Taxes received	–	87
	(48,941)	(42,016)
Net cash provided by operating activities	78,351	56,708
Cash flows from investing activities:		
Investments in property, plant and equipment	(115,090)	(90,870)
Investments in intangible assets	(779)	(386)
Loan to joint venture	(888)	(403)
Decrease (increase) in restricted cash	960	(4,695)
Net cash used in investing activities	(115,797)	(96,354)
Cash flows from financing activities:		
Proceeds from loans and borrowings	65,265	106,879
Buy-back of Income Units previously sold to private investors	(5,609)	(4,887)
Interest rate cap	(4,080)	–
Dividend payment	(11,897)	(1,278)
Dividend payment by a subsidiary to non-controlling shareholders	(1,436)	–
Repayment of loans and borrowings	(31,717)	(31,087)
Repayment of leases	(4,095)	(4,890)
Net proceeds from transactions with non-controlling interest	21,471	(672)
Purchase of treasury shares	(1,621)	(2,098)
Exercise of options settled in cash	70	–
Net cash provided by financing activities	26,351	61,967
Increase (decrease) in cash and cash equivalents	(11,095)	22,321
Net foreign exchange differences	(2,078)	4,466
Cash and cash equivalents at beginning of year	163,589	136,802
Cash and cash equivalents at end of year	150,416	163,589
Non-cash items:		
Lease additions and lease re-measurement	11,166	14,499
Outstanding payable on investments in property, plant and equipment	13,934	5,786
Receivables in respect of transaction with non-controlling interests	7,044	–

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

Note 1: General

- a. The consolidated financial statements of PPHE Hotel Group Limited (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2023 were authorised for issuance in accordance with a resolution of the Directors on 28 February 2024.

The Company was incorporated in Guernsey on 14 June 2007 and is listed on the Premium Listing segment of the Official List of the UK Listing Authority (the UKLA) and the shares are traded on the Main Market for listed securities of the London Stock Exchange.

- b. Description of the Group business:

The Group is an international hospitality real estate group, which owns, co-owns and develops hotels, resorts and campsites, operates the Park Plaza® brand in EMEA and owns and operates the art'otel® brand.

The Group has interests in hotels in the United Kingdom, the Netherlands, Germany, Hungary, Serbia, Italy and Austria and hotels, self-catering apartment complexes and campsites in Croatia.

- c. Assessment of going concern and liquidity:

As part of their ongoing responsibilities, the Directors have recently undertaken a thorough review of the Group's cash flow forecast and potential liquidity risks. Detailed budgets and cash flow projections, which take into account the current trading environment and the industry-wide cost pressures, have been prepared for 2024 and 2025, and show that the Group's hotel operations are expected to be cash generative during this period. Furthermore, under those cash flow projections it is expected that the Group will comply with its loan covenants. Having reviewed those cash flow projections, the Directors have determined that the Company is likely to continue in business for at least 12 months from the date of approval of the consolidated financial statements.

Note 2: Earnings per share

The following reflects the income and share data used in the basic earnings per share computations:

	As at 31 December	
	2023	2022
	£'000	£'000
Profit attributable to equity holders of the parent	22,415	10,159
Weighted average number of ordinary shares outstanding (in thousands)	42,365	42,523

Potentially dilutive instruments 173,054 in 2023 had an immaterial effect on the basic earnings per share (2022: 399,294).

Note 3: Segments

For management purposes, the Group's activities are divided into Owned Hotel Operations and Management and Central Services Activities (for further details see Note 12(c)(i) of the 2023 Annual Report). Owned Hotel Operations are further divided into five reportable segments: the Netherlands, Germany, Croatia and the United Kingdom. Other includes individual hotels in Hungary, Serbia, Italy and Austria. The operating results of each of the aforementioned segments are monitored separately for the purpose of resource allocations and performance assessment. Segment performance is evaluated based on EBITDA, which is measured on the same basis as for financial reporting purposes in the consolidated income statement.

	Year ended 31 December 2023							
	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other ¹ £'000	Management and Central Services £'000	Adjustments ² £'000	Consolidated £'000
Revenue								
Third party	63,302	22,759	234,912	78,123	7,859	7,643	—	414,598

Inter-segment	–	–	400	257	–	40,626	(41,283)	–
Total revenue	63,302	22,759	235,312	78,380	7,859	48,269	(41,283)	414,598
Segment EBITDA	19,580	5,466	76,276	20,409	(528)	6,973	–	128,176
Depreciation, amortisation								(45,068)
Financial expenses								(36,145)
Financial income								4,758
Net expenses for liability in respect of								(14,156)
Income Units sold to private investors								
Other income (expenses), net								(8,630)
Share in result of joint ventures								(113)
Profit before tax								28,822

1 Includes art'otel Budapest in Hungary, 88 Rooms Hotel in Belgrade, Serbia, Londra & Cargill Hotel in Rome, Italy, and FRANZ Ferdinand Mountain Resort in Nassfeld, Austria.

2 Consist of inter-company eliminations.

	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other ¹ £'000	Adjustments ² £'000	Consolidated £'000
Geographical information							
Non-current assets ¹	190,420	72,311	1,007,301	249,910	86,306	46,462	1,652,710

1 Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets and intangible assets.

2 This includes the non-current assets of Management and Central Services.

Year ended 31 December 2022

	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other ¹ £'000	Management and Central Services £'000	Adjustments ² £'000	Consolidated £'000
Revenue								
Third party	41,573	17,724	190,105	69,237	6,344	5,108	–	330,091
Inter-segment	–	16	302	168	–	32,365	(32,851)	–
Total revenue	41,573	17,740	190,407	69,405	6,344	37,473	(32,851)	330,091
Segment EBITDA	11,163	6,368	56,218	21,426	(629)	37		94,583
Depreciation, amortisation and impairment								(40,006)
Financial expenses								(37,257)
Financial income								1,516
Net expenses for liability in respect of Income Units sold to private investors								(10,783)
Other income (expenses), net								3,201
Share in result of joint ventures								202
Profit before tax								11,456

1 Includes art'otel Budapest in Hungary, 88 Rooms Hotel in Belgrade, Serbia, Londra & Cargill Hotel in Rome, Italy, and FRANZ Ferdinand Mountain Resort in Nassfeld, Austria.

2 Consist of inter-company eliminations.

	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other £'000	Adjustments ² £'000	Consolidated £'000
Geographical information							
Non-current assets ¹	194,833	72,537	949,931	241,312	59,307	55,512	1,573,432

1 Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets and intangible assets.

2 This includes the non-current assets of Management and Central Services.

Note 4: Related parties

a. Balances with related parties

	As at 31 December	
	2023	2022
	£'000	£'000
Loans to joint ventures	6,515	5,573
Short-term receivables	65	100
Payable to GC Project Management Limited	(75)	(185)
Payable to Gear Construction UK Limited	(12,445)	(6,218)

b. Transactions with related parties

	As at 31 December	
	2023	2022
	£'000	£'000
Cost of transactions with GC Project Management Limited	(670)	(300)
Cost of transactions with Gear Construction UK Limited	(55,069)	(47,872)
Rent income from sub-lease of office space	56	67
Management fee revenue from jointly controlled entities	872	822
Interest income from jointly controlled entities	354	118

c. Significant other transactions with related parties

- (i) **Construction of the art'otel London Hoxton** – Following the approval by the independent shareholders, on 7 April 2020 the Group entered into a building contract with Gear Construction UK Limited ('Gear') for the design and construction of the art'otel London Hoxton hotel on a 'turn-key' basis (the 'building contract'). Under the building contract Gear assumes the responsibility for the design and construction of the main works for the design and build of art'otel London Hoxton for a lump sum of £160 million (exclusive of VAT) (the 'Contract Sum'). Of this amount, circa.£24.6 million is based on provisional sums, primarily in respect of FF&E and fit out of the hotel which are detailed and set out as provisional sums in the building contract. This might cause the total amount payable to Gear UK under the building agreement to be greater or less than the Contract Sum. On top of the Contract Sum, the Group novated certain existing contracts relating to the project to Gear at cost subject to a cap of £6 million (exclusive of VAT). Gear is required to complete the works to be executed under the building contract by 2024.

Gear makes monthly applications for payments in line with the building contract and following construction industry contractual norms. The applications will be valued by AECOM acting as the Employer's agent and providing cost management services, who is appointed by the Employer but has a duty to act fairly in accordance with the terms of the contract. The Employer's agent will also be responsible for assessing any applications by Gear for extensions of time, variations or additional scope of work or additional loss and/or expense under the building agreement.

Gear's obligations and liabilities under the building contract are supported by a corporate guarantee from Red Sea Hotels Limited, an associate of Euro Plaza Holdings B.V. and therefore a related party of the Company, in the amount of 10% of the Contract Sum (the 'corporate guarantee'). The corporate guarantee expires on the later of: (i) the expiry of the two-year defects rectification period which follows practical completion of the works; and (ii) the issue of the latent defect insurer's approval or final technical audit report.

- (ii) **Sub-lease of office space** – A member of the Group has agreed to sub-lease a small area of office space to members or affiliates of the Red Sea Group at its County Hall corporate office in London. The rent payable by the Red Sea Group to PPHE Hotel Group is based on the cost at which the landlord is leasing such space to PPHE Hotel Group.

- (iii) **Pre-Construction and Maintenance Contract** – The Group frequently uses GC Project Management Limited (GC) to undertake preliminary assessment services, including appraisal work, and provide initial estimates of the construction costs. Further, GC provides ad-hoc maintenance work when required to the Group's various sites. Accordingly, the Group has entered into an agreement with GC for the provision of pre-construction and maintenance services by GC to the Group for a fixed annual retainer of £60,000.
- (iv) Transactions in the ordinary course of business, in connection with the use of hotel facilities (such as overnight room stays and food and beverages) are being charged at market prices. These transactions occur occasionally.
- (v) **Londra & Cargill project management agreement** – The Group entered into a series of agreements with GC Project Management Limited for the provision of project management services and site supervision services to the Group in respect of the redevelopment of Hotel Londra & Cargill in Rome, Italy, commencing in 2022 and completing in 2024 for a fee capped at £920,000 to be paid in monthly instalments for the duration of the project.

Summary of the remuneration for Executive and Non-Executive Directors for the year ended 31 December 2023:

	Base salary and fees £'000	Bonus £'000	Pension contributions £'000	Other benefits £'000	Total £'000
Chairman and Executive Directors	1,726	473	67	19	2,285
Non-Executive Directors	283	–	–	–	283
	2,009	473	67	19	2,568

1 Figures include the annual remuneration of Greg Hegarty, Deputy CEO & COO, who joined the Board following the 2023 Annual General Meeting which was held in May 2023.

Summary of the remuneration for Executive and Non-Executive Directors for the year ended 31 December 2022:

	Base salary and fees £'000	Bonus £'000	Pension contributions £'000	Other benefits £'000	Total £'000
Chairman and Executive Directors	1,148	531	64	13	1,756
Non-Executive Directors	284	–	–	–	284
	1,432	531	64	13	2,040

Directors' interests in employee share incentive plan

As at 31 December 2023, the Executive Directors held share options to purchase 121,308 ordinary shares (2022: 70,000). 50,000 options were fully exercisable with an exercise price of £14.30 (2022: 25,000) and 27,308 options were fully exercisable with a £nil exercise price (2022: 23,000). No share options were granted to Non-Executive Directors of the Board.

PRINCIPAL RISKS AND UNCERTAINTIES

Our Risk Environment

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

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

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

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

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

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

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

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

PRINCIPAL RISKS – AT A GLANCE

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

Principal Risks for 2024		Inherent Risk Assessment	Residual Risk Assessment	Trend from previous year	Oversight responsibility
1	Adverse economic climate	High	High	Unchanged	CFO
2	Significant development project delays or unforeseen cost increases	High	High	Unchanged	CCLO and Co-CEO
3	Difficulty in attracting, engaging and retaining a suitably skilled workforce	High	Medium	Decreased	Co-CEO
4	Technology disruption – prolonged failure of core technology	High	Medium	Unchanged	CFO
5	Funding and liquidity risk	High	Medium	Unchanged	CFO

6	Cyber threat – undetected / unrestricted cyber security incidents	Very High	Medium	Decreased	CFO
7	Data privacy – risk of data breach	Very High	Medium	Unchanged	CCLO
8	Operational disruption	High	Medium	Unchanged	Co-CEO
9	Negative stakeholder perception of the Group with regard to Environmental, Social and Governance (ESG) matters	High	Medium	Unchanged	CCLO
10	Market dynamics – significant decline in market demand	High	Medium	Decreased	EVP Commercial Affairs
11	Serious threat to guest, team member or third party health, safety and security	High	Medium	Unchanged	Co-CEO

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

OUR RISK-REWARD STRATEGY

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

Risk Appetite Levels	Definition	Business Activities	Key sources of value and strategic enablers
Active	We will actively seek to take calculated risks in this area in pursuit of our strategic objectives, as long as the associated benefits significantly outweigh the risk impact and the risk remains within our tolerances. We will apply appropriate safeguards when pursuing these opportunities.	<ul style="list-style-type: none"> Acquisitions and development opportunities Diversification of property portfolio 	Diverse prime property portfolio
Neutral	We will take on a limited increased exposure to risk in pursuit of our strategic objectives if the associated benefits outweigh the risk impact and the risk remains within our tolerances. We will apply appropriate safeguards when pursuing these opportunities.	<ul style="list-style-type: none"> Development projects (Construction) Working with third parties Funding Technological change / development Commercial and promotional activity 	Financial strength and non-dilutive capital approach International network Multi-brand approach
Averse	We will act to protect the business from increased risk exposure in these areas.	<ul style="list-style-type: none"> Environmental impact Responsible and ethical sourcing Human Rights Operational continuity Data privacy Compliance Financial and tax reporting Financial control 	Meaningful ESG impact for the benefit of all stakeholders Our people and culture In-house hospitality management platform

OUR RISK GOVERNANCE AND RISK MANAGEMENT PROCESS

GOVERNANCE

Executive Leadership – Risk Forum

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

Audit Committee

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

ESG Committee

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

Board

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

PROCESS

ENTERPRISE RISK ASSESSMENT

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

CURRENT RISKS

Existing threats to the achievement of our business objectives

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

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

EMERGING RISKS

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

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

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

- Shifts in market dynamics
- Social, geo-political, macro-economic and environmental factors
- Technological trends
- Legal and regulatory developments

FUNCTIONAL AND SUBSIDIARY RISK ASSESSMENTS

Management identifying, assessing and managing the risks and controls across all business functions.

EMERGING RISK

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

PRINCIPAL RISKS

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

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

MARKET AND MACROECONOMIC ENVIRONMENT

Risk Appetite: Neutral

Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
<p>Adverse economic climate</p> <p>Economic stress fuelled by the volatile geo-political environment could mean a continuation of steep inflation and unstable interest rates impacting growth and profit margins.</p> <p>Related strategic blocks:</p> <p>1, 2, 3</p> <p>Related sources of value:</p> <p>7, 8, 9</p>	High	<p>Acting to protect our margins in the face of steep inflation remained a key focus throughout 2023. While inflation and interest rates are expected to stabilise, we still consider an adverse economic climate to be a significant risk to monitor and manage in the year ahead as several of the emerging threats we have identified could influence the scale and impact of this risk area.</p> <p>In addition to our long established controls, 2024 will see:</p> <ul style="list-style-type: none"> • Close monitoring of economic and market forces. • Budgetary control and frequent forecasting across all regions and property type. • A drive to develop process automation for labour intensive processes, freeing resource to focus on delivering greater value to the business. • Projects to drive efficiency of operational teams. • Continued focus on control of food and beverage costs. • Energy consumption reduction initiatives.
<p>Market dynamics – significant decline in market demand</p> <p>Uncertainty in future market demand could arise due to volatile macro-economic or geo-political conditions, or significant incidents which impact global travel.</p> <p>Related strategic blocks:</p> <p>1, 2, 3</p> <p>Related sources of value:</p> <p>4, 5</p>	Medium	<p>Our overall residual assessment of this risk has reduced as confidence grows due to positive booking momentum, increased occupancies and average daily rates being maintained. Demand for Meetings and Events also looks stronger over the medium and longer term.</p> <p>There will remain some uncertainty as market strength is linked to changes in the economic climate and geo-political environment. We are proactive in driving demand to our properties and responding to market movements. Our key mitigating actions include:</p> <ul style="list-style-type: none"> • Fully leveraging the revenue management technologies introduced during 2023. • Focussed promotional initiatives to drive demand in advance and tactical campaigns for 'need' periods. • Leveraging our partnerships and promotional opportunities with third party distribution partners and booking channels. • Continuing our close collaboration with Radisson Hotel Group and leveraging their reach for promotional campaigns. • Leveraging the Radisson Rewards programme which consists of 11+ million members. • Increasing our focus on digital marketing and online advertising. • Delivering our planned activities across key source markets and market segments, including tradeshow, hosted events and sales missions.

FUNDING AND INVESTMENT

Risk Appetite: Neutral

Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
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Funding and liquidity risk The impact of failing to proactively manage funding and liquidity risk could include a breach of debt covenants, cash restrictions, loss of stakeholder confidence and less favourable terms when refinancing in the future. Related strategic blocks: 1, 2 Related sources of value: 7, 9	Medium	<p>Against the backdrop of interest rate movements and general economic pressures, our funding and liquidity risk continues to be managed to an acceptable level due to the Group's strong trading performance, steady property valuations and fixed rates on most of our loans.</p> <p>We will continue to contain this risk with our established treasury monitoring and reporting controls which include:</p> <ul style="list-style-type: none"> • Board approved treasury policy. • Monthly forward covenant testing. • Monthly treasury monitoring and reporting to the Board. • Proactive and regular liaison with our lenders. <p>As highlighted in our emerging risk summary, the value of our property portfolio could be impacted over time by sustainable building regulations, unless there is sufficient investment in upgrading our assets to meet the requirements.</p> <p>Long-term capital expenditure plans have been developed to mitigate this threat.</p>
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DEVELOPMENT PROJECTS

Risk Appetite: Neutral

Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
Significant development project delays or unforeseen cost increases Various factors, such as supply chain disruption, labour market pressures and steep increases in cost of materials can influence the delivery of major construction projects resulting in additional cost or delays in new openings. Related strategic blocks: 1, 2 Related sources of value: 4, 7	High	<p>The delivery of major projects remains a high risk area and is subject to focused oversight from senior leadership and our in-house Technical Services team, with key controls including:</p> <ul style="list-style-type: none"> • Regular project meetings with our contractors to identify and tackle any approaching issues which could impact the overall cost, targeted delivery schedule or the expected quality standards. • Independent monitoring of projects by appointed third party experts. <p>Throughout 2024 we would expect this risk to reduce as major long-term developments are delivered and new openings become operational.</p>

TECHNOLOGY AND INFORMATION SECURITY

Risk Appetite: Averse

Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
Cyber threat – undetected / unrestricted cyber security incidents The Group could be subject to a serious cyber-attack resulting in significant disruption to operations and financial loss from falling revenues, cost of recovery, reputation loss and significant fines in the event of a related data breach. Related strategic blocks: 1, 2, 3 Related sources of value: 6	Medium	<p>Although we expect the inherent risk of cyber-attack to remain very high, our residual risk assessment has been reduced this year to reflect the implementation of new and enhanced security controls and the continued investment into protecting the business from this significant threat.</p> <p>Newly established controls in place for the year ahead and further planned progress includes:</p> <ul style="list-style-type: none"> • Compliance to the official Payment Card Industry Data Security Standard (PCI DSS). • AI powered network monitoring & detecting and autonomously responding to threats. • Continuous vulnerability scanning and remediation. • Enhanced back-up and recovery solution, including ransomware recovery. • Focused team member awareness campaigns and training programmes. • Increased targeted phishing training. • Enhanced filtering of malicious phishing sites. • Increase in external penetration testing. • Targeted risk analysis/profiling and security incident tabletop exercises.
Data privacy – risk of data breach The Group could experience a serious data privacy breach which could result in	Medium	<p>We remain focused on mitigating the high inherent regulatory risk associated with the processing of personal data, which is essential to the successful operations of our business.</p>

investigation, significant fines in accordance with the GDPR and subsequent reputational damage.

Related strategic blocks:

1, 2, 3

Related sources of value:

6, 8

Activity planned for 2024 includes:

- Implementation of a new governance, risk and compliance tool for data privacy and information security.
- An internal awareness campaign and updated training programmes, as part of onboarding the new tool.
- Review and update of documented data protection and privacy procedures.
- Update of data inventory.
- Monitoring databases containing Personally Identifiable Information, with data owners.
- Renewing and updating data privacy risk assessments and other documentation required under GDPR.

Technology disruption

Medium

A prolonged failure in our core technology infrastructure could present a significant threat to the continuation of our business operations, particularly where failures impact hotel management and reservation systems.

Related strategic blocks:

1, 2, 3

Related sources of value:

6

The availability and performance of our core technology is key to the success of our business operations, and we have continued with investment into strengthening our networks, implementing our DR solution, and improving connectivity.

In 2024 we will continue to improve our resilience through:

- Continued projects to enhance network resilience and security.
- Network monitoring and enhanced vulnerability scanning.
- Enhanced back-up and recovery solution.
- Targeted testing of back-up and recovery plans.

SAFETY & CONTINUITY

Risk Appetite: Averse

Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
<p>Operational Disruption</p> <p>Major global events such as pandemic, war or environmental disasters could result in widespread disruption, impacting our guests, our supply chain, and our hotel operations.</p> <p>We could also experience more localised disruption to our operations from incidents at our hotels or in the immediate vicinity, for example floods, extreme weather, social unrest, or terrorism.</p> <p>Related strategic blocks:</p> <p>1, 2, 3</p> <p>Related sources of value:</p> <p>6, 7, 8</p>	Medium	<p>Our strength and resilience have been key to the continued success of our business in recent years.</p> <p>In 2024 we will continue to prepare for significant disruptive incidents through:</p> <ul style="list-style-type: none"> • Regularly training team members in our established crisis plans and procedures. • Review of our approach to Business Continuity Management to ensure we have prepared proportionate responses to the most significant threats which could impact the continuity of our critical services and operations. • Working closely with key suppliers to identify and mitigate any potential issues which could impact the continuity of their service.
<p>Serious Health, Safety and Security Incidents</p> <p>The Group could experience significant health and safety, food safety or physical security incidents.</p> <p>A failure to take reasonable steps to prevent such incidents, or a failure to respond appropriately, could impact our reputation, disrupt our operations and result in significant loss of guest, team member and stakeholder confidence.</p> <p>Related strategic blocks:</p> <p>1, 2, 3</p> <p>Related sources of value:</p> <p>6, 8</p>	Medium	<p>In the year ahead we will continue to drive our high standards to provide a safe stay for our guests and a safe working environment for our team members.</p> <p>Our established controls include:</p> <ul style="list-style-type: none"> • Regular risk assessments. • Security and fire safety procedures. • Health & Safety audit programmes. • In-house and supplier food safety audit programme. • Team member training programmes. • Mental health and wellbeing training. • Centralised incident reporting. • Proactive gathering of intelligence and advice on potential security risks through regular liaison with local police and security services. <p>We will also monitor the ongoing consultation in respect of Martyn's Law but are confident that our existing procedures will meet the new requirements proposed as part of the UK's Terrorism (Protection of Premises) Bill.</p>

PEOPLE

Risk Appetite: Averse

Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
<p>Difficulty in attracting, engaging and retaining a suitably skilled workforce</p> <p>Difficulties in maintaining an engaged and suitably skilled workforce could impact our service standards, drive up operating costs, disrupt operations and impact the overall delivery of our key strategic objectives.</p> <p>Related strategic blocks:</p> <p>1, 2, 3</p> <p>Related sources of value:</p> <p>6, 8</p>	Medium	<p>While the successful management of this risk remains fundamental to our success, our overall residual risk assessment has reduced to Medium.</p> <p>Throughout 2023 we have not experienced any staffing issues that would restrict operations. Some improvement has also been noted in retention rates.</p> <p>2024 presents new resourcing challenges with the opening of new hotels and we will continue to manage this risk proactively with new initiatives including:</p> <ul style="list-style-type: none"> • Creation of a new Employee Experience team to develop deeper understanding of employee needs and sentiment and tasked with group initiatives on developing retention, wellbeing, and engagement. • Employer value proposition development to attract candidates and drive retention. • Investment in new HR technology landscape, improving people analytics. • Creation of expanded Learning & Development team with focus on technical skills and management development. • Internal communication strategy and use of related technologies for further employee voice enablement. • Full employment policy review. • Talent management and succession planning to promote intra-company mobility options. • Regular talent reviews and learning need analysis. • Physical health and well-being initiatives and investment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Risk Appetite: Averse

Principal Risk Description	Residual Risk	Outlook and Risk Response for 2024
<p>Negative stakeholder perception of the Group with regard to Environmental, Social and Governance matters</p> <p>With ESG being a key concern for our stakeholders, a perception that the Group does not apply best practice corporate governance principles or does not act responsibly to protect the environment and the communities we operate in, could impact our performance by damaging our appeal to customers, investors, and other business partners. It could also affect our ability to retain and attract talent.</p> <p>A failure to comply with the upcoming regulatory changes to governance and ESG reporting could further heighten this area of risk.</p> <p>Related strategic blocks:</p> <p>1, 2, 3</p> <p>Related sources of value:</p> <p>8</p>	Medium	<p>We have made considerable progress in formalising and communicating our ESG strategic approach and priorities.</p> <p>Our report on pages 66-79 details our ESG strategic objectives which are focused on the priorities of our stakeholders.</p> <p>Activity in 2024 will include:</p> <ul style="list-style-type: none"> • Work on a series of tasks aimed at delivering against our ESG targets, which are designed to further the achievement of our published strategic objectives. • The ESG Manager monitoring the adoption of the ESG targets with the assigned owners and providing regular progress reports to the ESG Committee. • New ESG reporting requirements being integrated into the compliance reporting undertaken by the Head of Compliance, seeking third party support where necessary at the request of the ESG Committee.

DIRECTORS' RESPONSIBILITY STATEMENT

Each of the directors named on pages 98 and 99 of the Annual Report & Accounts 2023 as of the time of the publication, confirms to the best of his or her knowledge that:

- (i) The consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole.
- (ii) The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face, and provides information necessary for shareholders to assess the Company's performance business model and strategies.
- (iii) The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board by

Boris Ivesha

President & Chief Executive Officer

Daniel Kos

Chief Financial Officer & Executive Director

28 February 2024