Independent Auditors' Report to the members of PPHE Hotel Group Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of PPHE Hotel Group Limited (the 'Group'), which comprises the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including accounting policy information.

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the financial position of the Group as at 31 December 2023 and of its financial performance and its cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), including the UK FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the key matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters 2023

Decentralised operations

As discussed in Notes 1(b) and 27 to the consolidated financial statements, the Group comprises more than 100 legal entities, grouped in four reportable segments. The geographical decentralised structure, multiplicity of IT systems and number of Group entities (components) increase the complexity of the Group's control environment and thus affects our ability as Group auditor to obtain an appropriate level of understanding of these components. Also, in our role as Group auditor, it is essential that we obtain an appropriate level of understanding of the significant components in the Group and the audit work performed by the component's auditors.

How our audit addressed the matter

We have evaluated the Group's internal controls, including the centralised monitoring controls that exist at both Group and segment level. The Group has developed an internal control framework with control activities that are required to be implemented by the components. Management continually reviews its systems and procedures for improvements and harmonisation across the Company.

During our audit, we have specifically focused on risks in relation to the decentralised structure and, as a result, we have extended our involvement in audit work performed by the components' auditors. Among other audit procedures, we organised site visits, meetings and conference calls with components' auditors. We have also requested components' auditors to specifically address certain risks and attention areas defined at Group level, by requiring all teams to perform specific audit procedures in order to ensure a consistent approach in areas that were deemed most relevant from a Group audit perspective to mitigate the risks identified by the Group auditor. We also performed tests on consolidation adjustments and manual journal entries, at both Group and component level to obtain an understanding of significant entries made.

Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the Audit Committee for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude, on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and Regulatory Requirements:

Pursuant to Section 9.8.10 (1) and (2) of the Listing Rules of the Financial Conduct Authority, we were engaged to review management's statement pursuant to Section 9.8.6 R (6) of the Listing Rules of the Financial Conduct Authority that relate to provisions 6 and 24 to 29 of the UK Corporate Governance Code and the Management Board's statement pursuant to Section 9.8.6 R (3) of the Listing Rules in the United Kingdom in the financial year 2023 included in the 'Viability statement' on page 94 and in the section 'Going concern' on page 145. We have no exceptions to report.

The partner in charge of the audit resulting in this independent auditors' report is Itsik Morovits.

ITSIK MOROVITS
(For and on behalf of Kost Forer Gabbay & Kasierer, member of Ernst & Young Global)
Tel Aviv, Israel

28 FEBRUARY 2024

Consolidated Statement of Financial Position for the year ended 31 December 2023

	Note	As at 31 December 2023 £'000	2022 £'000
Assets			
Non-current assets:			
Intangible assets	3	**10,665**	12,805
Property, plant and equipment	4	**1,412,830**	1,335,184
Right-of-use assets	17	**229,215**	225,443
Investment in joint ventures	5	**5,438**	4,961
Other non-current assets	6	**39,646**	47,245
Restricted deposits and cash	12(b)	**10,385**	9,272
Deferred income tax asset	25	**13,833**	12,909
		1,722,012	1,647,819
Current assets:			
Restricted deposits and cash	12(b)	**6,909**	9,229
Inventories		**3,288**	3,181
Trade receivables	7	**17,880**	18,533
Other receivables and prepayments	8	**23,260**	17,866
Cash and cash equivalents	9	**150,416**	163,589
		201,753	212,398
Total assets		**1,923,765**	1,860,217

	Note	As at 31 December 2023 £'000	2022 £'000
Equity and liabilities			
Equity:	10		
Issued capital		–	–
Share premium		**133,469**	133,177
Treasury shares		**(6,873)**	(5,472)
Foreign currency translation reserve		**13,903**	20,039
Hedging reserve		**7,801**	10,950
Accumulated earnings		**166,281**	156,364
Attributable to equity holders of the parent		**314,581**	315,058
Non-controlling interests		**216,592**	188,187
Total equity		**531,173**	503,245
Non-current liabilities:			
Borrowings	13	**845,199**	817,631
Provision for concession fee on land	14	**5,233**	5,331
Financial liability in respect of Income Units sold to private investors	15	**114,287**	121,084
Other financial liabilities	16	**280,200**	265,494
Deferred income taxes	25	**5,878**	5,922
		1,250,797	1,215,462
Current liabilities:			
Trade payables		**14,809**	13,565
Other payables and accruals	18	**79,149**	80,844
Borrowings	13	**47,837**	47,101
		141,795	141,510
Total liabilities		**1,392,592**	1,356,972
Total equity and liabilities		**1,923,765**	1,860,217

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

Boris Ivesha
President & Chief Executive Officer

Daniel Kos
Chief Financial Officer & Executive Director

Consolidated Income Statement for the year ended 31 December 2023

	Note	As at 31 December 2023 £'000	2022 £'000
Revenues	19	**414,598**	330,091
Operating expenses	20	**(284,090)**	(233,087)
EBITDAR		**130,508**	97,004
Rental expenses	17	**(2,332)**	(2,421)
EBITDA		**128,176**	94,583
Depreciation and amortisation	3, 4, 17	**(45,068)**	(40,006)
EBIT		**83,108**	54,577
Financial expenses	21	**(36,145)**	(37,257)
Financial income	22	**4,758**	1,516
Other expenses	23(a)	**(13,046)**	(6,791)
Other income	23(b)	**4,416**	9,992
Net expenses for financial liability in respect of Income Units sold to private investors	24	**(14,156)**	(10,783)
Share in results of joint ventures	5	**(113)**	202
Profit before tax		**28,822**	11,456
Income tax (expense) benefit	25	**(1,677)**	3,356
Profit for the year		**27,145**	14,812
Profit attributable to:			
Equity holders of the parent		**22,415**	10,159
Non-controlling interests		**4,730**	4,653
		27,145	14,812
Basic and diluted profit per share (in Pound Sterling)	26	**0.53**	0.24

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

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

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

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2023

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

1 No par value.
2 The dividend distribution comprises a final dividend for the year ended 31 December 2022 of 12.0 pence per share (31 December 2021: nil pence per share) and an interim dividend of 16.0 pence per share paid in 2023 (2022: 3.0 pence per share).

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2023

	Note	As at 31 December 2023 £'000	2022 £'000
Cash flows from operating activities:			
Profit for the year		**27,145**	14,812
Adjustment to reconcile profit to cash provided by operating activities:			
Financial expenses and expenses for financial liability in respect of Income Units sold to private investors	21,24	**50,301**	48,040
Financial income	22	**(4,758)**	(1,516)
Income tax expense (benefit)	25	**1,677**	(3,356)
Loss on buy-back of Income Units sold to private investors	23	**3,266**	1,499
Re-measurement of lease liability	23	**3,852**	3,704
Revaluation of Park Plaza County Hall London Units	23	**(1,600)**	(300)
Capital loss on sale of fixed assets, net	23	**29**	47
Share in results of joint ventures	5	**113**	(202)
Share appreciation rights revaluation	23, 5(b)(i)	**(2,816)**	119
Fair value movement derivatives through profit and loss	23	**4,553**	(9,692)
Depreciation and amortisation	3, 4, 17	**45,068**	40,006
Share-based payments		**622**	2,137
		100,307	80,486
Changes in operating assets and liabilities:			
Increase in inventories		**(152)**	(1,228)
Increase in trade and other receivables		**(1,803)**	(16,118)
Increase in trade and other payables		**1,795**	20,772
		(160)	3,426
Cash paid and received during the period for:			
Interest paid		**(50,104)**	(43,520)
Interest received		**3,721**	1,728
Taxes paid		**(2,558)**	(311)
Taxes received		**–**	87
		(48,941)	(42,016)
Net cash provided by operating activities		**78,351**	56,708
Cash flows from investing activities:			
Investments in property, plant and equipment	4	**(115,090)**	(90,870)
Investments in intangible assets	3	**(779)**	(386)
Loan to joint venture		**(888)**	(403)
Decrease (increase) in restricted cash		**960**	(4,695)
Net cash used in investing activities		**(115,797)**	(96,354)

	Note	As at 31 December 2023 £'000	2022 £'000
Cash flows from financing activities:			
Proceeds from loans and borrowings		**65,265**	106,879
Buy-back of Income Units previously sold to private investors		**(5,609)**	(4,887)
Interest rate cap	29(a)	**(4,080)**	–
Dividend payment		**(11,897)**	(1,278)
Dividend payment by a subsidiary to non-controlling shareholders		**(1,436)**	–
Repayment of loans and borrowings		**(31,717)**	(31,087)
Repayment of leases		**(4,095)**	(4,890)
Net proceeds from transactions with non-controlling interest		**21,471**	(672)
Purchase of treasury shares		**(1,621)**	(2,098)
Exercise of options settled in cash		**70**	–
Net cash provided by financing activities		**26,351**	61,967
Increase (decrease) in cash and cash equivalents		**(11,095)**	22,321
Net foreign exchange differences		**(2,078)**	4,466
Cash and cash equivalents at beginning of year		**163,589**	136,802
Cash and cash equivalents at end of year		**150,416**	163,589
Non-cash items:			
Lease additions and lease re-measurement		**11,166**	14,499
Outstanding payable on investments in property, plant and equipment		**13,934**	5,786
Receivables in respect of transaction with non-controlling interests		**7,044**	–

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

Notes to Consolidated Financial Statements for the year ended 31 December 2023

Note 1 General

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

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

a. Description of the Group business:

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

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

b. Assessment of going concern and liquidity:

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

Note 2 Accounting policies

a. Basis of preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments and investments in marketable securities which are measured at fair value. The consolidated financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand (£'000) except where otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee (IFRIC) and adopted by the European Union.

The accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2023 and 2022 are set out below. These accounting policies have been consistently applied to the periods presented, except where otherwise indicated.

b. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Financial liability in respect of Income Units sold to private investors

In 2010, the construction of Park Plaza Westminster Bridge London was completed and the hotel opened to paying customers. Out of 1,019 rooms, 535 rooms ('Income Units') were sold at that time to private investors under 999-year lease agreements. The sales transactions are accounted for as a transaction in which the investors, in return for the upfront consideration paid for the Income Units, receive 999 years of net income from a specific revenue-generating portion of an asset (contractual right to a stream of future cash flows) (see more details in Note 2(e)).

Management applied the following professional judgment in determining the accounting treatment for the amounts received upfront.

As the liability to pay future cash flows includes a component that is based on the future net operating income (NOI) generated by the room, management considered whether this component meets the definition in IFRS 9 of an embedded derivative which needs to be accounted for separately. According to IFRS 9, if the changes in value arise from a non-financial variable that is specific to a party to the contract, then the component does not meet the definition of a derivative. As the NOI is generated by a specific room and the NOI can be affected by non-financial factors, management concluded that this component does not meet the definition of an embedded derivative.

Based on its analysis of IFRS 9 and relevant professional publications, management considers a floating-rate liability as an instrument with variable cash flow amounts arising from changes in market variables. Due to the variability of the periodic NOI cash flows, which reflect primarily market conditions such as occupancy and the price charged for the room, management views the liability in respect of Income Units as a floating-rate financial liability. Pursuant to IFRS 9. B5.4.5 in respect of floating-rate financial instruments, changes in future estimated cash flows from the Income Units are recognised prospectively in the period in which they occur. As the Company is not exposed to any risk nor receives any benefit in respect of future changes in NOI, management is of the view that the application of IFRS 9.B5.4.5 is the appropriate accounting treatment. It also reflects the economics of the transaction with the investors in the Income Units.

Estimates and assumptions

Management did not identify any critical estimates included in the Group's consolidated financial statements for which there is a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

c. Foreign currency translation

The functional currency of the Company is Pound Sterling. The consolidated financial statements are also presented in Pound Sterling.

Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Exchange differences in respect of loans denominated in foreign currency which were granted by the Company to its subsidiaries are reflected in the foreign currency translation reserve in equity, as these loans are, in substance, a part of the Group's net investment in the foreign operation.

The following exchange rates in relation to Pound Sterling were prevailing at reporting dates:

	As at 31 December	
	2023 In Pound Sterling	2022 In Pound Sterling
Euro	**0.869**	0.885
Hungarian Forint	**0.002**	0.002
US Dollar	**0.786**	0.830

Percentage increase (decrease) in exchange rates at year end compared to the previous year:

	As at 31 December	
	2023 In % versus Pound Sterling	2022 In % versus Pound Sterling
Euro	**(1.8)**	5.6
Hungarian Forint	**2.8**	(3.5)
US Dollar	**(5.2)**	12.2

d. Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method, over the shorter of the estimated useful life of the assets or the lease term as follows:

	Years
Hotel buildings	50 to 95
Furniture and equipment	2 to 25

e. Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost or fair value through profit or loss.

The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- financial assets at amortised cost (debt instruments); and
- financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective of holding financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables and loans to joint ventures.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets that are debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

This category includes derivative instruments and listed equity investments. Dividends on listed equity investments and Income Units (Note 6).

Impairment of financial assets
For trade receivables the Group applies a simplified approach in calculating the expected credit loss (ECL). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, as measured at amortised cost (loans and borrowings and payables) or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liability in respect of Income Units sold to private investors
In 2010, the construction of Park Plaza Westminster Bridge London was completed and the hotel opened to paying customers. Out of 1,019 rooms, 535 rooms ('Income Units') were sold at that time to private investors under 999-year lease agreements. The sales transactions are accounted for as a transaction in which the investors, in return for the upfront consideration paid for the Income Units, receive 999 years of net income from a specific revenue-generating portion of an asset (contractual right to a stream of future cash flows). The amounts received upfront are accounted for as a floating rate financial liability pursuant to IFRS 9. B5.4.5 and are being recognised as income over the term of the lease (i.e. 999 years). Changes in future estimated cash flows from the Income Units are recognised prospectively in the period in which they occur. Since November 2014, the Company has bought back 52 Income Units from private investors. Upon buy-back of a unit, the financial liability relating to that unit is derecognised and any difference between the purchase price and the liability derecognised is recorded in profit and loss.

The entire hotel is accounted for at cost less accumulated depreciation.

The replacement costs for the Income Units are fully reimbursed by the private investors. An amount of 4% of revenues is paid by the investors on an annual basis ('FF&E reserve') and is accounted for in profit and loss. The difference between the actual depreciation cost and the FF&E reserve is a timing difference which is recorded in the statement of financial position as a receivable or liability to the investor in each respective year.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

f. Inventories
Inventories include china, food and beverages and are valued at the lower of cost and net realisable value. Cost includes purchase cost on a first-in, first-out basis.

g. Derivative financial instruments and hedge accounting
The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument in a cash flow hedge is recognised directly in other comprehensive income, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised.

h. Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Owned, co-owned and leased hotels
Revenues are primarily derived from hotel operations, including the rental of rooms, food and beverage sales and other services from owned, co-owned and leased hotels operated under the Group's brand names. Revenue is recognised when rooms are occupied, food and beverages are sold and services are performed.

Campsites and mobile homes
Revenues are primarily derived from short-term rentals of campsite pitches and mobile homes operated under the Group's brand names. Revenue is recognised when campsite pitches and/or mobile homes are occupied.

Management fees
Management fees are earned from hotels managed by the Group, under long-term contracts with the hotel owner. Management fees include a base fee, which is generally a percentage of hotel revenue, and an incentive fee, which is based on the hotel's profitability. Revenue is recognised when earned and realised or realisable under the terms of the agreement.

Franchise and reservation fees
Franchise and reservation fees are received in connection with a licence of the Group's brand names, under long-term contracts with the hotel owner. The Group charges franchise and reservation fees as a percentage of hotel revenue. Revenue is recognised when earned and realised or realisable under the terms of the agreement.

Marketing fees
Marketing fees are received in connection with the sales and marketing services offered by the Group, under long-term contracts with the hotel owner. The Group charges marketing fees as a percentage of hotel revenue. Revenue is recognised when earned and realised or realisable under the terms of the agreement.

Customer loyalty programme
The Group participates in the Radisson Rewards™ customer loyalty programme to provide customers with incentives to buy room nights. This customer loyalty programme is owned and operated by the Radisson Hotel Group and therefore the entity retains no obligations in respect of the award credits other than to pay Radisson Hotel Group for the award credits purchased and granted to customers. The customers are entitled to utilise the awards as soon as they are granted.

The Group purchases these award credits from Radisson Hotel Group and issues these to its customers in order to enhance its customer relationships rather than to earn a margin from the sale of these award credits. The Group concluded that it is acting as principal in this transaction and, in substance, is earning revenue from supplying these awards to its customers. The Group measures these revenues at fair value and recognises these gross from the costs of participating in the programme.

Contract balances

Trade receivables-contract assets

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Advance payments received – contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability (advance payments received) is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

i. Alternative Performance Measures

EBITDAR

Earnings before interest (Financial income and expenses), tax, depreciation and amortisation, impairment loss, rental expenses, share in results of joint ventures and exceptional items presented as other income and expense.

EBITDA

Earnings before interest (Financial income and expenses), tax, depreciation and amortisation, impairment loss, share in results of joint ventures and exceptional items presented as other income and expense.

EBIT

Earnings before interest (Financial income and expenses), tax, share in results of joint ventures and exceptional items presented as other income and expense.

j. Leases

The Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Land	50 to 200
Hotel buildings	5 to 95
Offices and storage	1 to 12
Furniture and equipment	2 to 25

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include the expected payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Other financial liabilities (see Note 16).

Variable lease payments that depend on an index or rate:

On the commencement date, the Company uses the index or rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Company is the lessee, the aggregate changes in future lease payments resulting from a change in the index or rate (including changes following a market rent review) are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index or rate (that is, when the adjustment to the lease payments takes effect).

Variable lease payments:

Variable lease payments that do not depend on an index or interest rate but are based on performance or usage are recognised as rent expense as incurred when the Company is the lessee, and are recognised as income as earned when the Company is the lessor.

Lease extension and termination options:

A non-cancellable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of furniture and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

k. Employee benefits

Share-based payments

The Board has adopted a share option plan, under which employees and Directors of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in Note 11.

Pension

The Group has a defined contribution pension plan where the employer is liable only for the employer's part of the contribution towards an individual's pension plan.

The Group will have no legal obligation to pay further contributions. The contributions in the defined contribution plan are recognised as an expense and no additional provision is required in the consolidated financial statements.

l. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

m. Borrowing costs for qualifying assets

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

n. Taxation

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

o. Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate. The income from the government grants is netted off against the operating expenses account in the income statement.

p. Changes in accounting policies and disclosures
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. Several other amendments and interpretations apply for the first time in 2023, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Definition of Accounting Estimates – Amendments to IAS 8
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its annual revenues are less than €750 million.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12
The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less than €750 million/year.

q. Standards issued but not yet applied
Standards issued but not yet effective, or subject to adoption by the European Union, up to the date of issuance of the consolidated financial statements are listed below. This listing of standards issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become mandatory.

The following standards have been issued by the IASB and are not yet effective or are subject to adoption by the European Union:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within 12 months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates
In August 2023, the IASB issued 'Amendments to IAS 21: Lack of Exchangeability (Amendments to IAS 21, "The Effects of Changes in Foreign Exchange Rates")' ('the Amendments') to clarify how an entity should assess whether a currency is exchangeable and how it should measure and determine a spot exchange rate when exchangeability is lacking.

The Amendments set out the requirements for determining the spot exchange rate when a currency lacks exchangeability. The Amendments require disclosure of information that will enable users of financial statements to understand how a currency not being exchangeable affects or is expected to affect the entity's financial performance, financial position and cash flows.

The Amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier adoption is permitted.

The Company believes that the Amendments are not expected to have a material impact on its consolidated financial statements.

Note 3 Intangible assets

	Park Plaza® Hotels & Resorts management rights (a)[1] £'000	Park Plaza® Hotels & Resorts franchise rights (a)[2] £'000	art'otel® franchise rights (b) £'000	Other intangible assets (c) £'000	Total £'000
Cost:					
Balance as at 1 January 2023	**21,195**	**21,667**	**3,849**	**3,859**	**50,570**
Additions	**–**	**–**	**–**	**771**	**771**
Reclassification	**–**	**–**	**–**	**(58)**	**(58)**
Adjustment for exchange rate differences	**(390)**	**(399)**	**(72)**	**(71)**	**(932)**
Balance as at 31 December 2023	**20,805**	**21,268**	**3,777**	**4,501**	**50,351**
Accumulated amortisation:					
Balance as at 1 January 2023	**16,393**	**16,827**	**2,226**	**2,319**	**37,765**
Amortisation	**1,048**	**1,055**	**189**	**391**	**2,683**
Reclassification	**–**	**–**	**–**	**(58)**	**(58)**
Adjustment for exchange rate differences	**(302)**	**(311)**	**(41)**	**(50)**	**(704)**
Balance as at 31 December 2023	**17,139**	**17,571**	**2,374**	**2,602**	**39,686**
Net book value as at 31 December 2023	**3,666**	**3,697**	**1,403**	**1,899**	**10,665**
Cost:					
Balance as at 1 January 2022	20,063	20,510	3,643	3,291	47,507
Additions	–	–	–	386	386
Disposals	–	–	–	(15)	(15)
Adjustment for exchange rate differences	1,132	1,157	206	197	2,692
Balance as at 31 December 2022	21,195	21,667	3,849	3,859	50,570
Accumulated amortisation:					
Balance as at 1 January 2022	14,507	14,909	1,925	1,876	33,217
Disposals	–	–	–	(15)	(15)
Amortisation	1,029	1,037	185	340	2,591
Adjustment for exchange rate differences	857	881	116	118	1,972
Balance as at 31 December 2022	16,393	16,827	2,226	2,319	37,765
Net book value as at 31 December 2022	4,802	4,840	1,623	1,540	12,805

a. Acquisition of Park Plaza® Hotels & Resorts management and franchise rights and lease rights

(1) Management rights – rights held by the Group relating to the management of Park Plaza® Hotels & Resorts in Europe, the Middle East and Africa. The management rights are included in the consolidated financial statements at their fair value as at the date of acquisition and are being amortised over a 20-year period based on the terms of the existing contracts and management estimation of their useful life. The remaining amortisation period is 3.5 years.

(2) Franchise rights relating to the brand 'Park Plaza® Hotels & Resorts' are included in the consolidated financial statements at their fair value as at the date of acquisition and are being amortised over a 20-year period based on management's estimation of their useful life. The remaining amortisation period is 3.5 years.

b. Acquisition of art'otel® rights

In 2007, the Group acquired from CCS Capital Concept Services Gmbh (the 'vendor') the worldwide rights to use the art'otel® brand name for an unlimited period of time. The rights are being amortised over a 20-year period based on management's estimation of their useful life. The remaining amortisation period is 3.5 years. In December 2020, the Group acquired certain rights which were assigned to the vendor under the original agreement for a cash consideration of €0.3 million (£0.2 million) and 80,000 shares of the Company. The additional rights are amortised based on management's estimation of their useful life.

c. Other intangible assets

These mainly include the brand name and internal domain obtained in the acquisition of Arena, which are being amortised over 20 years based on management's estimation of their useful life, and software which are amortised over 4 years.

d. Impairment

In 2023, there were no indicators of impairment.

Note 4 Property, plant and equipment

	Land £'000	Hotel buildings £'000	Property & assets under construction £'000	Income Units sold to private investors[1] £'000	Furniture, fixtures and equipment £'000	Total £'000
Cost:						
Balance as at 1 January 2023	362,830	779,763	154,027	134,719	222,883	1,654,222
Additions during the year	–	23,289	91,209	1,276	9,800	125,574
Disposal	–	(423)	–	–	(399)	(822)
Buy-back of Income Units sold to private investors	873	6,316	–	(7,847)	658	–
Reclassification[2]	–	9,607	(11,992)	–	2,217	(168)
Adjustment for exchange rate differences	(5,358)	(7,872)	(357)	–	(1,786)	(15,373)
Balance as at 31 December 2023	358,345	810,680	232,887	128,148	233,373	1,763,433
Accumulated depreciation and impairment:						
Balance as at 1 January 2023	17,099	125,289	–	23,765	152,885	319,038
Provision for depreciation	321	18,487	–	1,181	15,219	35,208
Disposal	–	(420)	–	–	(352)	(772)
Reclassification	–	915	–	–	(1,083)	(168)
Buy-back of Income Units sold to private investors	–	878	–	(1,417)	539	–
Adjustment for exchange rate differences	(509)	(1,260)	–	–	(934)	(2,703)
Balance as at 31 December 2023	16,911	143,889	–	23,529	166,274	350,603
Net book value as at 31 December 2023	341,434	666,791	232,887	104,619	67,099	1,412,830
Cost:						
Balance as at 1 January 2022	348,614	717,296	45,725	137,902	268,129	1,517,666
Additions during the year	–	13,337	72,856	623	8,050	94,866
Disposal	–	(94)	–	–	(372)	(466)
Buy-back of Income Units sold to private investors	427	3,082	–	(3,806)	297	–
Reclassification[2]	(22)	24,119	33,985	–	(58,082)	–
Adjustment for exchange rate differences	13,811	22,023	1,461	–	4,861	42,156
Balance as at 31 December 2022	362,830	779,763	154,027	134,719	222,883	1,654,222
Accumulated depreciation and impairment:						
Balance as at 1 January 2022	15,669	106,255	–	23,237	136,505	281,666
Provision for depreciation	316	15,420	–	1,190	13,936	30,862
Disposal	–	(94)	–	–	(325)	(419)
Reclassification	–	15	–	–	(15)	–
Buy-back of Income Units sold to private investors	–	402	–	(662)	260	–
Adjustment for exchange rate differences	1,114	3,291	–	–	2,524	6,929
Balance as at 31 December 2022	17,099	125,289	–	23,765	152,885	319,038
Net book value as at 31 December 2022	345,731	654,474	154,027	110,954	69,998	1,335,184

1 This includes 459 rooms (2022: 483) in Park Plaza Westminster Bridge London, for which the cash flows, derived from the net income generated by these Income Units, were sold to private investors (see Note 2(e)). The proceeds from the purchases have been accounted for as a variable rate financial liability (see Note 15).
2 In 2023 the reclassification mainly relates to the completion of the construction of art'otel Zagreb and the refurbishment of Park Plaza Budapest. In 2022 the amount mainly includes a reclassification of c.£64.2 million from Furniture, fixtures and equipment to Property & assets under construction on account of additions that relate to the construction of art'otel London Hoxton until December 2021 and a reclassification of c.£30.0 million due to the completion of the construction of Grand Hotel Brioni Pula from Property & assets under construction to Furniture, fixtures and equipment and Hotel buildings.

a. For information regarding liens, see Note 12

b. Impairment
In 2023, there were no indicators for impairment.

c. Capitalised borrowing costs
On 7 April 2020, the Group entered into a building contract to develop art'otel London Hoxton on a site located by Old Street, Rivington Street, Great Eastern Street and Bath Place, London EC1, which is expected to be completed in H1 2024 (see Note 28(c)(i)). The cumulative expenditure for this project as at 31 December 2023 was £199.8 million (2022: £125.4 million). The amount of borrowing costs capitalised related to this project during the year ended 31 December 2023 was £8.1 million (2022: £3.5 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was 5.2%, which is the effective interest rate of the specific borrowing.

Additional borrowing costs were capitalised as part of the refurbishment of the property in Rome Italy which is expected to reopen in H1 2024. The amount of borrowing costs capitalised related to this project during the year ended 31 December 2023 was €0.9 million (£0.8 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.8%, which is the effective interest rate of the specific borrowing.

Note 5 Investment in joint ventures and subsidiaries with significant non-controlling interests

a. Investment in joint ventures

	As at 31 December	
	2023 £'000	2022 £'000
Loans to joint ventures[1]	**6,515**	5,573
Share of net assets under equity method	**(1,077)**	(612)
Investment in joint ventures	**5,438**	4,961

1 The loans to joint ventures amount includes a euro loan bearing an interest of Euribor +2.5% per annum.

The share in net profit amounts to £113 thousand (2022: net loss of £202 thousand).

b. Summarised financial information of subsidiary with material non-controlling interests

(i) Signature Top Ltd

Long-term partnership for 49% of Park Plaza London Riverbank and art'otel London Hoxton development project
On 23 June 2021, a wholly owned subsidiary of PPHE Hotel Group entered into a sale and purchase agreement with Clal Insurance ('Clal'), one of Israel's leading insurance and long-term savings companies. As part of this agreement, Clal became a minority partner and owner of 49% of the shares of Signature Top Ltd, a wholly owned subsidiary of the Group ('Signature Top') which indirectly holds the real estate and operations of both the 646-room Park Plaza London Riverbank ('Riverbank') and the 357-room art'otel London Hoxton development project ('Hoxton'), which is scheduled to open in 2024.

As part of this agreement, Clal was granted five million share appreciation rights (SAR) of the Company which has a seven-year maturity with a strike price of £16 per share and a cap of £21 per share. The SAR will vest as follows:

- 500,000 SAR Units shall vest and become exercisable on the first anniversary of the completion of the sale and purchase agreement ('Completion')
- 500,000 SAR Units shall vest and become exercisable on the date being 18 months after Completion
- The remaining four million SAR Units shall vest and become exercisable on the second anniversary of Completion

Upon exercise, the Company will have a right to determine whether an amount equal to the SAR Value as of the date of the exercise will be satisfied by a payment of cash or by the issuance of the Company's shares.

The SAR instrument, which is included in Level 2 in the fair value hierarchy, was valued internally at an amount of £2.7 million (2022: £5.5 million) using the Black–Scholes model and is included in current liabilities under Other payables and accruals in the Group's consolidated balance sheet. The following lists the inputs used for the fair value measurement:

Dividend yield	3.138%
Expected volatility of the share price	24.82%
Risk-free interest rate	3.657%
Years to expiration	4.5 years

During the reporting period, the expected construction costs of art'otel London Hoxton have increased mainly due to the interest to be incurred throughout the construction phase. On 27 April 2023, both the Group and Clal mutually agreed that the sharing of these cost referred to above with a cap of £25.7 million, which is the expected amount of the overruns, would be funded by 65% from the Group and 35% from Clal. In 2023 the parties contributed £16.0 million. The excess consideration of £2.2 million paid by the Group was recognised as a reduction in the equity of the parent company. The Group has chosen to recognise this amount in accumulated earnings.

As at 31 December 2023, the Group owned 51% (2022: 51%) of Signature Top Ltd. The amount of accumulated non-controlling interests as at 31 December 2023 amounts to £98,518 thousand (2022: £89,393 thousand) and the income and comprehensive income allocated to the non-controlling interests in 2023 amounts to £3,449 thousand (2022: £2,465 thousand) and £1,281 thousand (2022: £12,077 thousand) respectively.

Below is selected financial information relating to the long-term partnership with Clal, as at 31 December 2023 and 2022, and for the years ended 31 December 2023 and 31 December 2022.

	2023 £'000	2022 £'000
Non-current assets	**456,094**	382,778
Current assets	**26,577**	13,437
Non-current liabilities	**260,928**	202,940
Current liabilities	**20,686**	10,840
Revenue	**46,273**	37,196
EBITDA	**14,862**	10,968
Profit for the period	**7,040**	5,030
Total comprehensive income	**2,614**	24,646

(ii) Arena Hospitality Group d.d.
As at 31 December 2023, the Group owned approximately 53.8% (2022: 53.2%) of Arena Hospitality Group d.d. ('Arena'). During 2023, the Company purchased 20,000 shares of Arena for a consideration of €0.6 million (£0.6 million) and Arena purchased 16,467 of its own shares for a consideration of €0.5 million (£0.5 million). The difference between the adjustment of the non-controlling interests and the net consideration paid of approximately €0.5 million (£0.4 million) was recorded in retained earnings. As a result of those transactions, the Group's share in Arena increased to 53.8%.

The amount of accumulated non-controlling interests as at 31 December 2023 amounts to £95,496 thousand (2022: £98,794 thousand) and the income and comprehensive income allocated to the non-controlling interests in 2023 amounts to £1,775 thousand (2022: £2,188 thousand) and loss of £495 thousand (2022: profit of £8,136 thousand) respectively.

Below is selected financial information relating to Arena, as of 31 December 2023 and 2022, and for the years ended 31 December 2023 and 2022.

	As at 31 December	
	2023 £'000	2022 £'000
Non-current assets	**382,010**	373,543
Current assets	**49,645**	69,204
Non-current liabilities	**180,281**	192,894
Current liabilities	**44,787**	38,755
Revenue	**109,927**	93,469
EBITDA	**24,371**	26,616
Profit for the period	**3,776**	4,543
Total comprehensive loss	**(1,093)**	17,242

(iii) European Hospitality Real Estate Fund
In March 2023, the Group launched a new European Hospitality Real Estate Fund ('the Fund') with a target size of up to €250 million. Clal Insurance ('Clal'), one of Israel's leading insurance and long-term savings companies, participated as a cornerstone investor, committing up to €75 million (limited to 49% of total participation). The Group also committed to invest up to €50 million in the Fund. As part of the agreement signed with Clal, it was decided to incorporate the Fund under Signature Top II Ltd ('Signature Top II'), a UK incorporated company, with a 51% ownership by the Group and 49% by Clal, until additional investors join. At the inception of the Fund, PPHE contributed the shares of Società Immobiliare Alessandro De Gasperis S.r.l., the owner of the Londra & Cargill Hotel in Rome, Italy ('Londra'), valued at €29.3 million (£25.8 million), for its 51% participation in Signature Top II. Clal made an initial cash contribution of €28.1 million (£24.8 million), payable at the Group's request, for its 49% participation. As of the reporting date, Clal transferred €20 million out of the €28.1 million and the additional €8.1 million was transferred after the reporting date. The Group has assessed the transaction and determined that it exercises control over Signature Top II. Consequently, the change in the ownership interest of Londra does not trigger a change of control and is therefore accounted for as an equity transaction in accordance with IFRS 10 Consolidated Financial Statements. The excess of consideration received over the carrying amount of the non-controlling interests (net of £0.8 million in transaction costs) amounting to £0.4 million is recognised in the parent company's equity. The Group has chosen to recognise this amount in accumulated earnings. Additionally, £0.7 million was reclassified from the foreign currency translation reserve and hedging reserve to accumulated earnings.

Throughout the year the Group engaged with investment bankers to raise the remaining equity for the Fund, however the significant changes in the interest rate market during this period has resulted that the Group was not successful in signing up new investors. If further investors do not join the Fund by 13 March 2024 (unless mutually extended), the Fund will carry on as a joint venture with Clal. The Group may top up its own equity contribution (currently at up to €50 million) to €78 million to give the total joint venture a circa €150 million equity value. With full equity subscription combined with a targeted 50% bank leverage, the investment potential of the joint venture will then be around €300 million.

As at 31 December 2023, the Group owned 51% of Signature Top II. The amount of accumulated non-controlling interests as at 31 December 2023 amounts to £22,578 thousand and the loss and comprehensive loss allocated to the non-controlling interests in 2023 amounts to £495 thousand and £923 thousand respectively.

Note 6 Other non-current assets

	As at 31 December 2023 £'000	2022 £'000
Income Units in Park Plaza County Hall London[1]	**17,700**	16,100
Rent security deposits	**363**	358
Derivative financial instruments (see Note 29(a))	**21,300**	30,539
Other non-current assets	**283**	248
	39,646	47,245

1 On 14 July 2017, the Group acquired an ownership interest in Park Plaza County Hall London through its purchase of 44 aparthotel units and the associated shares in the management company of the hotel, South Bank Hotel Management Company Limited. The purchase price was £16.0 million. In October 2017, an additional two units were purchased for £0.7 million. Upon initial recognition, the investment was designated in the consolidated financial statements at fair value through profit and loss. In return for the consideration paid, the Company receives 999 years of net income from specific revenue-generating units of the hotel (contractual right to a stream of future cash flows). This investment is managed and its performance is evaluated by the Group management on a fair value basis in accordance with the Group investment strategy. As the cash flows from this investment are not solely payments of principal and interest, under IFRS 9 the investment is classified and measured at fair value through profit or loss. The fair value of the Income Units as of the reporting date was £17.7 million based on an independent valuation prepared by Savills using a cap rate of 7.25%.

Note 7 Trade receivables

a. Composition:

	As at 31 December 2023 £'000	2022 £'000
Trade receivables	**18,417**	19,214
Less – allowance for doubtful debts	**(537)**	(681)
	17,880	18,533

Trade receivables are non-interest bearing. The Group's policy provides an average of 30 days' payment terms.

b. Movements in the allowance for doubtful accounts were as follows:

	2023 £'000
As at 1 January 2023	**(681)**
Write-off	**261**
Additions	**(124)**
Exchange rate differences	**7**
As at 31 December 2023	**(537)**
As at 1 January 2022	(890)
Write-off	320
Additions	(85)
Exchange rate differences	(26)
As at 31 December 2022	(681)

c. As at 31 December, the ageing analysis of trade receivables is as follows:

2023	Total £'000	Not past due £'000	Past due < 30 days £'000	31 to 60 days £'000	61 to 90 days £'000	> 90 days £'000
Trade receivables	**18,417**	**9,788**	**7,082**	**697**	**148**	**702**
Allowance for doubtful debts	**(537)**					**(537)**
	17,880	**9,788**	**7,082**	**697**	**148**	**165**

2022	Total £'000	Not past due £'000	Past due < 30 days £'000	31 to 60 days £'000	61 to 90 days £'000	> 90 days £'000
Trade receivables	19,214	8,824	7,633	1,317	474	966
Allowance for doubtful debts	(681)					(681)
	18,533	8,824	7,633	1,317	474	285

Note 8 Other receivables and prepayments

	As at 31 December 2023 £'000	2022 £'000
Prepaid expenses	**8,066**	7,296
VAT	**6,120**	4,706
Related parties	**65**	100
Funds to be received from Clal (see Note 5 (iii))	**7,044**	–
Derivative financial instruments short term	**1,677**	–
Escrow account[1]	**–**	4,666
Others	**288**	1,098
	23,260	17,866

1 Funds for the acquisition of 12 Park Plaza Westminster Bridge London units that were transferred to an escrow account. In 2023, the acquisition was finalised.

Note 9 Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Note 10 Equity

a. Share capital

The authorised share capital of the Company is represented by an unlimited number of ordinary shares with no par value.

As at 31 December 2023, the number of ordinary shares issued was 44,347,410 (2022: 44,347,410), 1,984,110 of which were held as treasury shares (2022: 1,909,042).

The Company's shares are admitted to the Premium Listing segment of the Official List of the UK Listing Authority and to trading on the Main Market for listed securities of the London Stock Exchange.

b. Treasury shares

During 2023, the Company issued 63,502 of its ordinary shares from its treasury account for a consideration of £70 thousand in order to satisfy an exercise of options. As a result, the cost of the treasury shares in excess of the consideration received (£150 thousand) was charged to the share premium account.

On 28 June 2022, the Company's Board of Directors approved the commencement of a share buy-back programme to buy up to a maximum of 300,000 ordinary shares for an aggregate consideration (excluding expenses) of up to a maximum of £1.7 million. On 18 November 2022, this share buy-back programme was further extended to buy up to a maximum of 500,000 ordinary shares for an aggregate consideration (excluding expenses) of up to a maximum of £3.7 million. In 2022 and 2023, the Company completed a purchase of 295,707 shares under this programme for a total consideration of £3.7 million, representing an average price of 1,257 pence per share.

The total number of treasury shares as at 31 December 2023 is 1,984,110 (2022: 1,909,042).

c. Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

Hedging reserve

This reserve comprises the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Note 11 Share-based payments

The Company operates two option plans for the benefits of employees of the Group: the first was adopted in 2007 and the second was adopted in 2020.

2007 Option Plan

The 2007 Plan has two types of options: Option A and Option B. The exercise price of both options will not be less than the closing price of a share on the dealing day immediately preceding the grant date (as published in the Daily Official List of the London Stock Exchange). Option A vests over a period of three years from the grant date and Option B vests at the end of three years from the grant date. Unexercised options expire ten years after the grant date. The plan does not include any performance conditions.

As at 31 December 2023, there were 190,500 exercisable options outstanding under the 2007 Option Plan. These options were granted to employees of the Company in past years. No further grants can be made under this plan.

2020 PPHE Executive Share Option Plan

The Board has adopted a '2020 PPHE Executive Share Option Plan', under which employees of the Company and its subsidiaries receive remuneration in the form of share-based compensation. The plan has the following principal terms:

a. The plan has four types of options:

- Option A: market value options – options that are linked to the market value of the shares in the Company.
- Option B: salary related options – whereby employees agree to a reduction in their base salary in exchange for the right to acquire shares at nil-cost. These options normally vest after 12 months subject to an additional six-month holding period.
- Option C: deferred bonus awards – allowing the award of the number of shares determined by the Remuneration Committee in lieu of some or all of the annual bonus.
- Option D: performance share awards – options which are granted subject to specified performance targets. Notwithstanding the extent to which any performance target is satisfied, the number of vested award shares may be reduced by the Committee to ensure that the number of vested award shares is appropriate taking into account the underlying business performance of the Group.

These awards are subject to the rules of the PPHE Executive Incentive Plan 2020 which may include: long-term vesting periods prescribed by the Committee upon grant; good-leaver and bad-leaver provisions allowing the Committee to exercise discretion as to when it might be appropriate for an award to vest in spite of the relevant employee leaving the Group; post vesting holding periods determined by the Committee at the time of the award; performance conditions; and share capital dilution limits. The plan allows dividends or dividend equivalents to accrue, subject to the Committee's discretion.

b. At any time, the total number of shares issued and/or available for grant (in a ten-year period) under the 2007 Share Option Plan, the 2020 PPHE Executive Incentive Plan and under any other employee share scheme which the Company may establish in the future may not exceed 5% of the Company's issued share capital at that time.

c. In June 2022, the Remuneration Committee approved a Long-Term Incentive Plan (LTIP) conditional grant of 93,000 options with a nil exercise price (Option D under the 2020 Option Plan). The grant is subject to performance conditions determined by the Remuneration Committee in accordance with the 2020 Option Plan rules and the Company's Remuneration Policy and has a vesting period of 36 months starting 1 January 2022 with a 24-months' holding period. Furthermore, the Remuneration Committee approved an annual bonus plan for 2022 which included an award to members of the Executive Leadership Team of 99,000 options with a nil exercise price (Option C under the 2020 Option Plan). This award was subject to certain performance criteria which have been met for 2022. Those options have an immediate vesting and are subject to a holding period of 12 months post grant.

The following lists the inputs to the binomial model used for the fair value measurement of the 93,000 options granted:

Dividend yield	1.0%
Expected volatility of the share prices	45.58%
Risk-free interest rate	1.9327%
Expected life of share options	5 years
Weighted average share price at the grant date	1,455.0 pence
Fair value per option	1,398.0 pence

The following lists the inputs to the binomial model used for the fair value measurement of the 99,000 options:

Dividend yield	1.0%
Expected volatility of the share prices	45.58%
Risk-free interest rate	1.9327%
Expected life of share options	3 years
Weighted average share price at the grant date	1,455.0 pence
Fair value per option	1,440.0 pence

The expected life of the share options is based on historical data, current expectations and empirical data. It is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility of similar listed companies over a period similar to the life of the options is indicative of future trends, which may not be reflective of the actual outcome.

d. The expense arising from equity-settled share-based payment transactions during 2023 was £442 thousand (2022: £1,965 thousand). Total exercisable options at 31 December 2023 were 343,721 (2022: 150,223).

Movements during the year

The following table illustrates the number (No.) and weighted average exercise prices (EP) of, and movements in, share options during 2022 and 2023:

	No. of options A (2007 Option Plan)	No. of options A (2020 Option Plan)	No. of options B (2020 Option Plan)	No. of options C (2020 Option Plan)	No. of options D (2020 Option Plan)	EP
Outstanding as at 1 January 2023	**220,500**	**227,000**	**51,223**	**99,000**	**93,000**	**£8.32**
Options forfeited during the year	–	–	–	–	–	–
Options exercised in the year[1]	(30,000)	–	(4,502)	(29,000)	–	£1.10
Options granted during the year	–	–	–	–	–	–
Outstanding as at 31 December 2023	**190,500**	**227,000**	**46,721**	**70,000**	**93,000**	**£9.05**
Outstanding as at 1 January 2022	265,500	250,500	69,867	–	–	£10.51
Options forfeited during the year	–	(23,500)	–	–	–	£13.00
Options exercised in the year	(45,000)	–	(18,644)	–	–	£1.65
Options granted during the year	–	–	–	99,000	93,000	–
Outstanding as at 31 December 2022	220,500	227,000	51,223	99,000	93,000	£8.32

1 Out of the options exercised in the year 33,502 were cashless.

As at 31 December 2023, the number of exercisable options was 534,221 (2022: 370,723) with an EP of £10.62 (2022: £7.54).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2023 is 6.5 years (2022: 7.3 years).

Note 12 Pledges, contingent liabilities and commitments

a. Pledges, collateral and securities

Substantially all of the Group's assets and all of the rights connected or related to the ownership of the assets (including shares of subsidiaries and restricted deposits) are pledged in favour of banks and financial institutions as security for loans received. For most of the loans, specific assets are pledged as the sole security provided.

b. Restricted cash

Under certain facility agreements, funds need to be held in restricted deposit accounts in order to pay the debt service for a subsequent period. The total deposits held amount to £17.3 million and are presented as restricted in the financial statements.

c. Commitments

(i) Management and franchise agreements

1. The Group entered into a Territorial Licence Agreement (the 'Master Agreement') with Radisson Hotel Group ('Radisson'). Under the Master Agreement, the Group, among other rights, is granted an exclusive licence to use the brand 'Park Plaza® Hotels & Resorts' in 56 territories throughout Europe, the Middle East and Africa in perpetuity (the 'Territory').

   The Master Agreement also allows the Group to use, and license others to use, the Radisson systems within the Territory, which right includes the right to utilise the Radisson systems' international marketing and reservations facilities and to receive other promotional assistance. The Group pays Radisson a fee based on a percentage of the hotels' gross room revenue, which fees are recognized in the income statement as incurred.

2. Within the terms of the management agreements, the hotels were granted by the Group a licence allowing them to use, throughout the term of the management agreements, the 'Park Plaza® Hotels & Resorts' and 'art'otel®' brand names. See Note 2(h) regarding the accounting for management and franchise fees received.

(ii) Construction contract commitment

As at 31 December 2023, the Group had capital commitments amounting to £29.6 million for the construction of the development of art'otel London Hoxton and £9.2 million for the refurbishment of Londra & Cargill Hotel in Rome, Italy.

(iii) Guarantees

1. In January 2013, the Company sold to Red Sea Hotels Limited ('Red Sea') all of the Company's shares in its subsidiary, Leno Finance Limited ('Leno'), the company through which the Company owned an interest in the site in Pattaya, Thailand (the 'Project'), and certain related loans and receivables, for a total consideration of Thai Baht 600 million.

   Under the terms of the United Overseas Bank (UOB) credit facilities received for the construction of the Project, the Company is obliged to provide certain financial support in the event of a cost overrun or funding shortfall in relation to the Project, to satisfy the payment of unpaid interest or fees until completion of the Project and, in certain circumstances, may be required to purchase serviced apartments after completion of the Project for a maximum of Thai Baht 600 million to fund any amounts that are outstanding under the UOB credit facilities. In addition, the Company undertook to take all necessary acts to ensure the completion of the Project as planned. Red Sea has agreed to indemnify the Company in respect of these continuing obligations (except for the obligation to purchase serviced apartments after completion where there is a continuing event of default) and as security Red Sea has pledged the shares held by it in Bali Hai Company Limited (the Thai subsidiary of Leno that owns and develops the Project) ('Bali Hai') and certain affiliated Thai companies.

   On 20 December 2023, the Company has entered into a deed of release with UOB in respect of obligations under the sponsor support deed. The deed of release is subject to conditions subsequent which are expected to be satisfied by 15 March 2024 failing which the deed of release will be revoked.

2. The Company guarantees cost overruns and the practical completion of the art'otel London Hoxton development under the £180 million construction financing facility agreement granted by Bank Hapoalim B.M and in relation to the long-tem partnership with Clal. As of 31 December 2023, the additional estimated contingent obligation to cover future cost overruns amounts to £9.7 million of which the Company's share is £6.3 million (Note 5b(i)).

Note 13 Borrowings

The borrowings of the Group are composed as follows:

As at 31 December 2023	€ denominated £'000	£ denominated £'000	$ denominated £'000	HRK denominated £'000	Total £'000
Fixed interest rate	318,272	558,192	–	–	876,464
Weighted average interest rate	2.32%	4.01%	–	–	
Variable interest rate	4,346	3,783	11,797	–	19,926
Weighted average interest rate	7.01%	6.94%	8.91%	–	
Total	322,618	561,975	11,797	–	896,390
Weighted average interest rate	2.38%	4.03%	8.91%	–	3.50%

Maturity analysis 2023	Outstanding amount	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Total borrowings	896,390	48,681	62,178	363,289	61,223	181,228	179,791
Capitalised transaction costs and other adjustments	(3,354)	(844)	(844)	(844)	(822)	–	–

For securities and pledges, see Note 12.

As at 31 December 2022	€ denominated £'000	£ denominated £'000	$ denominated £'000	HRK denominated £'000	Total £'000
Fixed interest rate	270,203	420,635	–	36,540	727,378
Weighted average interest rate	2.41%	3.61%	–	1.44%	
Variable interest rate	35,284	90,990	15,896	–	142,170
Weighted average interest rate	6.07%	7.28%	8.28%	–	
Total	305,487	511,625	15,896	36,540	869,548
Weighted average interest rate	2.52%	4.26%	8.28%	1.44%	3.60%

Maturity analysis 2022	Outstanding amount	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Total borrowings	869,548	47,901	32,651	61,685	365,509	46,199	315,603
Capitalised transaction costs and other adjustments	(4,816)	(800)	(800)	(800)	(800)	(800)	(816)

For securities and pledges, see Note 12.

a. Finance agreements entered in the years 2023 and 2022:

Park Plaza Hotels (UK) Limited facility

On 1 November 2023, Park Plaza Hotels (UK) Limited, a wholly owned subsidiary of the Company, entered into a revolving facility agreement with Santander UK Plc for up to £30 million which replaced the previous Coronavirus Large Business Interruption Loan Scheme (CLBILS) facility entered in November 2020. The facility is provided on a three-year term and bears an interest rate margin on drawn amounts of 2.5% plus Sonia during year one, with the margin increasing to 3% in years two and three.

Arena Grand Kažela campsite refinance

On 9 November 2022, Arena had entered into a new loan agreement with PRIVREDNA BANKA ZAGREB in Croatia for the purpose of refinancing its existing €10.2 million loan used for the development of Arena Grand Kažela Campsite. The facility is in a total amount of €18.5 million (£16.4 million), maturing in 2036 at a fixed interest rate of 2.95%.

Financing for the refurbishment of art'otel in Budapest

On 3 October 2022, Arena, through its wholly owned subsidiary SW Szállodaüzemeltet Korlátolt, entered into a new loan agreement with Erste & Steiermärkische Bank d.d. for the purpose of financing the CAPEX investments in art'otel Budapest. The facility is in a total amount of €2 million (£1.8 million), maturing in 2031 at a fixed interest rate of 3.5%.

Financing for Arena Stoja Campsite

On 10 May 2022, Arena entered into a new loan agreement with Croatian Bank for Reconstruction and Development (HBOR). Arena intends to use this facility to purchase 75 upscale mobile homes for the Arena Stoja Campsite. The facility is in a total amount of €2.9 million (£2.5 million), maturing in 2028 at a fixed interest rate of 1.5%.

Financing for development of art'otel in Zagreb, Croatia

On 30 March 2022, Arena, through its wholly owned subsidiary Ulika d.o.o., entered into a new loan agreement with Erste & Steiermärkische Bank d.d. for the purpose of financing the development of its premium lifestyle art'otel in Zagreb, Croatia. The facility is in a total amount of €12.6 million (£10.8 million), maturing in 2034 at a fixed interest rate of 2.2%.

Financing of Londra & Cargill Hotel in Rome, Italy

On 22 February 2022, Londra Cargill Parent S.r.l, a wholly owned subsidiary of the Company, entered into a €25 million (£21 million) facility with UniCredit S.p.A. (the 'Facility'). The Facility consists of two tranches: Tranche A in the amount of €17.25 million is available for immediate drawdown upon signing the Facility agreement and Tranche B in the amount of €7.75 million will be available for drawdown upon completion of the hotel refurbishment and meeting certain conditions. The term of the Facility is four years and it will bear an interest rate of six month Euribor, which was fixed by an interest rate swap at a rate of 0.6065%, plus a margin of 3.2%.

Given that there is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the loan (i.e., notional amount, maturity and payment), the Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. As at 31 December 2023, the interest rate swap had a fair value of £0.7 million and is included in other non-current assets. The change in the fair value of the interest rate swap in the amount of £0.5 million for the year ended 31 December 2023 is recorded as other comprehensive income. The interest rate swap is valued using valuation techniques for swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, and interest rate curves. The fair value measurement is Level 2 of the fair value hierarchy.

b. The following financial covenants must be complied with by the relevant Group companies:

- Under the two Aareal facilities, for Park Plaza London Riverbank (the 'Riverbank hotel') and all six of the Group's Dutch hotels and Grandis (the 'Dutch hotels and Grandis'), the borrowers must ensure that the aggregate amount of the outstanding facilities does not exceed 62.2% of the value of the Dutch hotels and Grandis and 60% of the value of the Riverbank hotel as set out in the most recent valuation (loan-to-value). In addition, the borrowers must ensure that, on each interest payment date, the Debt Service Coverage Ratio (DSCR) is not less than 115%.
- Under the AIG Asset Management (Europe) Limited facility for Park Plaza Westminster Bridge London, the borrower must ensure that the aggregate amount of the outstanding facility does not exceed 70% of the value of the hotel as set out in the most recent valuation (loan-to-value). In addition, the borrower must ensure that, on each interest payment date, the historical and projected DSCR are not less than 140%. The floating rate leg of this loan of £3.8 million (as at 31 December 2023) has an associated interest rate cap, hedging the risk of the all-in rate exceeding 3.5%.
- Under the facility arranged by Cornerstone Real Estate Advisers Europe LLP, a member of the MAFF Mutual Financial Group, for Park Plaza Victoria London, the borrower must ensure that the aggregate amount of the outstanding facility does not exceed 75% of the value of the hotel as set out in the most recent valuation (loan-to-value). In addition, the borrower must ensure that, on each interest payment date, the historical and projected DSCR are not less than 180%.
- Under the Bank Hapoalim Loan for three of the Group's UK hotels and the 46 units owned within Park Plaza County Hall London, the borrowers must ensure that the aggregate amount of the outstanding loan does not exceed 65% of the value of the properties and units secured (loan-to-value).
- In March 2019, W29 Owner LLC entered into a loan agreement with Bank Hapoalim New York for an amount of US$22.15 million where PPHE Hotel Group is a guarantor. Under this agreement, PPHE Hotel Group must ensure that it maintains an aggregate net worth of at least US$33 million and have liquid assets with a market value of at least US$5 million. Since March 2019, W29 Owner LLC has paid US$7.15 million out of the loan principal and the maturity date of the loan was extended a few times with the latest one, signed in September 2023, extending the maturity date to 13 September 2024.
- Under the Bank Hapoalim Loan relating to art'otel London Hoxton, the borrower must ensure that the aggregate amount of the outstanding facility does not exceed 75% of the value of the hotel as set out in the most recent valuation from the earlier of (i) one year after practical completion; or (ii) 7 April 2024 onwards. The borrower must also ensure that the DSCR is not less than 1.2 on each quarter test date starting from either 7 April 2025 or one year after practical completion. Any breach of the aforementioned covenants is subject to an equity cure option. In addition, on each test date, the total equity of PPHE Hotel Group must not be less than: (i) £150 million; and (ii) 20% of its asset value. After the reporting date, the borrower entered into an amendment to the loan agreement which included an update to stagger the DSCR covenant as follows. The borrower must ensure that: the DSCR is not less than 1.1 on each quarter test date from 31 December 2025 to 30 September 2026 and 1.2 for the following quarter test dates.
- Under the loan agreement granted by Santander UK Plc to Park Plaza Hotels (UK) Limited, the borrower must ensure that at all times its tangible net worth exceeds £300 million. In addition, the borrower must: (i) ensure that the UK borrowings to aggregate UK asset value does not at any time exceed 60%; (ii) ensure that on each test date, the UK interest cover ratio for the borrower and its subsidiaries is greater than 1.25; (iii) ensure that the drawn amount under this facility to the unencumbered market value of Park Plaza London Waterloo (determined in accordance with the most recent valuation) does not at any time exceed 65%; and (iv) maintain minimum liquidity of £3 million at all times.
- Under the £1.6 million loan granted by Santander UK Plc to PPHE Living Limited dated 29 January 2020, the interest coverage ratio (ICR) for each 12-month period must not be less than 125%. In addition, the borrower must ensure that the outstanding loan does not exceed 65% of the value of the borrower's freehold property at Acton Lane (based on the most recent valuation).

- Under the UniCredit S.p.A. facility for Società Immobiliare Alessandro De Gasperis S.r.l., signed on 22 February 2022, the borrower must ensure throughout the entire term of the loan that the outstanding amount of the loan does not exceed 60% of the value of the property. Furthermore, from the earlier of (i) 30 June 2024, and (ii) the first interest payment date falling after 12 months following the completion of the property renovation (the 'first test date'), the borrower undertakes to ensure that the ratio between (i) the EBITDA of the borrower relating to the 12 month period preceding the relevant test date and (ii) the finance costs for the same applicable period (ICR) and the ratio between (i) the net operating profit of the borrower generated in the 12 month period preceding each test date and (ii) the principal amount of all facilities outstanding under this facilities agreement at that test date are higher than 2.0 and 7.5% respectively for the first test date and higher than 2.5 and 9% respectively for each test date thereafter.
- Under the Deutsche Hypothekenbank AG facility, for Park Plaza Nuremberg the borrower must ensure throughout the entire term of the loan that the outstanding amount of the loan does not exceed 65% of the value of the property used as collateral and that the DSCR is not less than 1.35.
- Under the Deutsche Hypothekenbank AG facility for ACO Hotel Holding B.V. and ABK Hotel Holding B.V., the borrower must ensure throughout the entire term of the loan that the outstanding amount of the loan does not exceed 70% of the value of the properties used as collateral and that the DSCR is not less than 1.10.
- Under the Zagrebaka Banka d.d. joint €32.0 million and HRK 205.0 million facilities, the borrower, Arena Hospitality Group d.d. must ensure that at year end, based on audited stand alone financial statements of the borrower, the DSCR is equal to or greater than 120% during the life of the loan and that the Net Debt/EBITDA ('net leverage ratio') is equal to or lower than 5.5 at year end 2019, is equal to or lower than 4.5 at year end 2021 and for each succeeding calendar year during the remaining life of the loan.
- Under the Zagrebaka Banka d.d. €10.0 million and HRK 60.0 million facilities, the borrower, Arena Hospitality Group d.d. must ensure that at year end, based on audited consolidated financial statements of the borrower, the DSCR is equal to or greater than 120% during the life of the loan and that the net leverage ratio is equal to or lower than 4.5 at year end 2021 and for each succeeding calendar year during the remaining life of the loan. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees for bank borrowings and EBITDA to the maximum of 6.0. Moreover, under the HRK 60 million facility, the amount of the loan cannot exceed 70% of the value of the properties.
- Under the Erste Banka d.d. €2.5 million facility, the borrower, Arena Hospitality Group d.d. has to comply with the following covenants calculated based on stand alone financial statements, tested once a year using audited financial statements for the preceding year: DSCR 1 is equal to or greater than 3.5. DSCR 2 is equal or greater than 1.2. The net leverage ratio is equal to or lower than 4.5. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees for bank borrowings and EBITDA to the maximum of 6.0 until the end of the loan repayment. The equity ratio has to be at least 30%.
- Under the club deal with Erste Banka d.d. and Zagrebačka Banka d.d signed in December 2020 for the purpose of financing the refurbishment of Hotel Brioni Pula in the total amount of €24.0 million the borrower, Arena Hospitality Group d.d. has to comply with the following covenants calculated based on stand alone financial statements, tested once a year using audited financial statements for the preceding year: DSCR 1 is equal to or greater than 3.5. DSCR 2 is equal or greater than 1.2. Net leverage ratio is equal to or lower than 4.5. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees for bank borrowings and EBITDA to the maximum of 6.0 until the end of the loan repayment. The amount of the loan cannot exceed 70% of the property used as collateral.
- Under the OTP Banka d.d. loan signed in July 2020 for the purpose of financing the purchase and subsequent refurbishment of Guest House Hotel Riviera Pula in the total amount of €10.0 million the borrower, Arena Hospitality Group d.d. has to comply with the following stand alone covenants, tested once a year using audited financial statements for the preceding year: net leverage ratio is equal to or lower than 4.5. The equity ratio has to be at least 55%. The loan consists of two equal tranches in the amount of €5.0 million each. The loan has a deposit build up mechanism, subject to certain conditions.

- Under the AIK Banka a.d. facility for the purpose of financing the purchase of 88 Rooms Hotel in Belgrade, Serbia, in the total amount of €4.2 million the borrower (Arena 88 Rooms Holding d.o.o.) has to ensure that the value of the purchased asset is not lower by more than 35% when compared with the value of the asset as defined during 2020 by an external reputable valuator.
- Under the Zagrebaka banka d.d. loan signed in September 2021 as part of HBOR's programme for insurance of liquidity portfolio for exporters related with COVID-19 measurements in amount €20 million (£16.8 million) the borrower, Arena Hospitality Group d.d. must ensure that DSCR is equal or greater than 3.5 and that the ratio between financial debt and EBITDA is lower than 4.5 starting at December 2023 and onwards. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees and EBITDA to the maximum of 6.0 at the end of 2023 and onwards. Covenants are calculated based on audited annual stand alone financial statements. Also, during the loan period the borrower is not able without bank confirmation to proceed with payments of dividends or loans to third parties.
- Under the Erste Group Bank AG loan signed in November 2021, for the purpose of financing the purchase of hotel FRANZ Ferdinand Mountain Resort in Nassfeld, Austria, in the total amount €10.5 million, Arena Franz Ferdinand GmbH as the borrower has to comply with following stand alone hard covenants: projected DSCR is equal or greater than 1.15 at year end 2021 and historical DSCR equal or greater than 1.15 from year end 2023 onwards. The amount of the loan cannot exceed 75% of the property used as collateral starting year end 2021 to year end 2023. The borrower also has to comply with the following soft covenants: from year end 2024 onwards DSCR (projected and historical) should be equal to or greater than 1.35. The amount of the loan cannot exceed 65% of the property used as collateral at the year end 2024 until year end 2026, and 60% from the year end 2026 and onwards.
- Under the Privredna banka d.d. loan signed in November 2022 for the purpose of refinancing investments done in Arena Kazela Campsite in previous years, in the total amount of €18.5 million, the borrower, Arena Hospitality Group d.d. has to comply with following covenants: the DSCR is equal to or greater than 1.2 during the life of the loan based on audited stand alone financial statements, the net leverage ratio based on audited stand alone financial statements is equal to or lower than 4.5 from 2022 and for each succeeding calendar year during the remaining life of the loan. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees and EBITDA to the maximum of 6.0 until the end of the loan repayment. Moreover, the amount of the loan cannot exceed 70% of the value of the properties used as collateral.
- Under the HRVATSKA BANKA ZA OBNOVU I RAZVITAK loan signed in May 2022 for the purpose of financing the purchase of mobile homes in Arena Stoja Campsite, in the total amount of €2.9 million, the borrower, Arena Hospitality Group d.d. has to comply with the equity ratio being at least 30% calculated based on stand alone financial statements.
- Under the ERSTE&STEIERMÄRKISCHE BANK d.d. loan signed in March 2022 by Ulika d.o.o. as borrower for the purpose of financing investment in the hotel in Zagreb, in the amount of €12.6 million, Arena as guarantor has to comply with following covenants tested once a year using audited stand alone financial statements for the preceding year: DSCR 1 is equal to or greater than 3.5. DSCR 2 is equal or greater than 1.2 throughout the life of the loan. Net leverage ratio is equal to or lower than 4.5 at each year end during the remaining life of the loan. Additionally, the guarantor undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees for bank borrowings and EBITDA to the maximum of 6.0 until the end of the loan repayment. The amount of the loan cannot exceed 100% of the property used as collateral. The equity ratio has to be at least 30%. Ulika d.o.o., as borrower, needs to maintain a DSCR equal to or greater than 1.3 from 2026 onwards.
- Under the OTP Bank Nyrt loan signed in October 2022 for the purpose of refurbishment of art'otel Budapest, in the amount of €2 million, the borrower has to comply with the following covenant: annual debt service cover ratio is equal to or greater than 1.2 during the life of the loan.

Pursuant to bank loan agreements with certain subsidiaries, these subsidiaries are required to retain their cash balances for use in their hotel operations and are restricted from transferring the cash to other entities in the Group without a prior approval from the lenders.

As at 31 December 2023, the Group is in compliance with all of its banking covenants. The Group expects that it will comply with its loan covenants also going forward.

Note 14 Provisions

Provision for concession fee on land

In accordance with the provisions of the Tourist and Other Construction Land Not Appraised During the Transition and Privatisation Process Act from 2010 (the 'TLA'), Arena submitted requests to the Republic of Croatia and the relevant municipality for the award of tourist land concessions in relation to land areas in eight campsites and three tourist resorts in Croatia. The TLA failed to produce the desired impact or to resolve the issues of the ownership/use of the tourist land. This in turn caused far-reaching consequences in the form of lack of investments into tourist land, reduced the international competitiveness of Croatian tourism due to lack of development and reduced income for the state and local municipalities. The Croatian government therefore adopted a new legislation to deal with, inter alia, the so-called tourist land and proprietary relationships between the owner of such land and the owner of the facilities built thereon.

In May 2020, the new Non-Appraised Construction Land Act (the 'NCLA') replaced the TLA and all initiated requests based on the TLA were suspended. Pursuant to the NCLA, the ownership of the land underneath the facilities in the campsites that were assessed into the share capital of Arena is now also legally recognised as ownership of Arena, while the Republic of Croatia will be the sole owner of the other land in the camps. In respect to the tourist resorts, the ownership of the land underneath the facilities that have been assessed into the share capital of Arena is now also recognised as ownership of Arena, together with the land surrounding such facilities that makes (together with the relevant facilities) the technological and functional unity. Tourist land in the tourist resorts which was not assessed into the share capital of Arena and which serves the standard usage of the resorts shall be owned by a local municipality. In relation to the land in campsites owned by the Republic of Croatia and the land in tourist resorts owned by the local municipalities, Arena will ex lege be deemed long-term (50 years) lessee and will conclude the lease agreement with the state/local municipalities once the procedure envisaged by the NCLA is complete. However, the government has still not adopted the secondary level regulation that would govern the rent payable by the lessees for such lease, nor have the procedures required for the implementation of the Act and actual registration of the ownership over the respective part of land in campsites/tourist resorts been completed. Thus, instead of concession fees, NCLA prescribes the obligation to pay rental fees for the tourist land which was not assessed into the share capital of Arena. However, administrative proceedings before the competent authority that are required for the implementation of the Act and actual registration of the ownership over the respective part of land in campsites and tourist resorts, have not been completed.

In 2023, the government had carried out public consultations on the draft proposals of the secondary level regulations that would govern the rent payable by the lessees, i.e., on the draft proposal of the Regulation on determination of the unit rent amount for tourist land on which the hotel and tourist resort is built and the method of calculating the rent and other fees and the mandatory content of the lease agreement, and on the draft proposal of the Regulation on determining of the initial amount of the unit rental price for tourist land in the camp, the method of calculating the rent and other fees and the mandatory content of the lease agreement. Both Regulations were adopted by the Government in February 2024. Given that the Regulations that now govern the rent payable by the lessees were adopted after 31 December 2023, Arena made an assessment of the concession/rental fees in the most prudent manner based on the most up to date available information, including the above-mentioned government's proposals referred to public consultation. The concession/rental fee, which amounted to £1.6 million in 2023, was recorded in the statement of financial position under other payables and accruals. There was no payment of concession/rental fee during 2023 or 2022.

Management is still assessing the impact of this new regulation on the Company's financial statements.

	2023 £'000	2022 £'000
Balance as at 1 January	**5,331**	5,057
Exchange rate differences	**(98)**	274
Balance as at 31 December	**5,233**	5,331

Note 15 Financial liability in respect of Income Units sold to private investors

	2023 £'000	2022 £'000
Total liability	**132,995**	139,754
Due from investors for reimbursement of capital expenditure	**(18,708)**	(18,670)
	114,287	121,084

This liability originated from the proceeds received from the sale to private investors of the future 999-year cash flows, derived from certain Income Units in Park Plaza Westminster Bridge London. Furthermore, as the investors are required to fund all CAPEX to be made in connection with these rooms, a receivable is recorded in each period for any excess of depreciation expense over the amounts paid by the investors on account of CAPEX. This receivable is offset from the liability to the investors.

This liability is amortised over the term of the agreement, that being 999 years.

Note 16 Other financial liabilities

	As at 31 December	
	2023 £'000	2022 £'000
Lease liabilities (see Note 17)	**273,274**	261,544
Retention liability[1]	**4,536**	2,691
Other	**2,390**	1,259
	280,200	265,494

1 Retention in relation to the building contract with Gear Construction UK Limited for the design and construction of the art'otel London Hoxton hotel (see Note 28).

Note 17 Leases

Group as a lessee

The Group has lease contracts for various items which mainly includes hotels, including land, offices and storage buildings. Leases of land have lease terms between 125 and 199 years while hotel buildings, offices and storage have lease terms between 2 and 95 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases with lease terms of 12 months or less and leases with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land £'000	Hotel buildings £'000	Offices and other £'000	Furniture, fixtures and equipment £'000	Total £'000
Cost:					
Balance as at 1 January 2023	**102,684**	**130,648**	**9,248**	**23,873**	**266,453**
Additions during the year	–	**185**	–	**165**	**350**
Disposal	–	–	**(58)**	–	**(58)**
Re-measurement of right-of-use assets	**6,626**	**4,375**	–	–	**11,001**
Adjustment for exchange rate differences	**(414)**	**(13)**	**(20)**	–	**(447)**
Balance as at 31 December 2023	**108,896**	**135,195**	**9,170**	**24,038**	**277,299**
Accumulated depreciation and impairment:					
Balance as at 1 January 2023	**5,897**	**16,434**	**3,643**	**15,036**	**41,010**
Provision for depreciation	**669**	**3,212**	**858**	**2,438**	**7,177**
Disposal			**(19)**		**(19)**
Adjustment for exchange rate differences	**(3)**	**(70)**	**(11)**		**(84)**
Balance as at 31 December 2023	**6,563**	**19,576**	**4,471**	**17,474**	**48,084**
Net book value as at 31 December 2023	**102,333**	**115,619**	**4,699**	**6,564**	**229,215**

Cost:					
Balance as at 1 January 2022	88,454	129,032	8,640	23,873	249,999
Additions during the year	–	215	50	–	265
Re-measurement of right-of-use assets	13,028	705	501	–	14,234
Adjustment for exchange rate differences	1,202	696	57	–	1,955
Balance as at 31 December 2022	102,684	130,648	9,248	23,873	266,453
Accumulated depreciation and impairment:					
Balance as at 1 January 2022	5,384	13,331	2,737	12,626	34,078
Provision for depreciation	504	2,761	878	2,410	6,553
Adjustment for exchange rate differences	9	342	28	–	379
Balance as at 31 December 2022	5,897	16,434	3,643	15,036	41,010
Net book value as at 31 December 2022	96,787	114,214	5,605	8,837	225,443

The amount of borrowing costs capitalised during the year ended 31 December 2023 was £185 thousand (2022: £215 thousand).

Impairment
In 2023, there were no indicators of impairment.

Set out below are the carrying amounts of lease liabilities (included under Other financial liabilities and Other payables) and the movements during the period:

	2023 £'000	2022 £'000
As at 1 January	**267,051**	251,618
Additions	**165**	50
Disposals	**(31)**	–
Accretion of interest[1]	**10,445**	9,952
Payments	**(14,355)**	(14,627)
Re-measurement of lease liability recorded in other expenses	**3,852**	3,704
Re-measurement of lease liability adjusted against right-of-use assets	**11,001**	14,234
Exchange rate differences recorded in profit and loss	**(882)**	1,662
Adjustments for foreign exchange differences	**117**	458
As at 31 December	**277,363**	267,051
Current	**4,089**	5,507
Non-current	**273,274**	261,544

1 The amount of borrowing costs capitalised during the year ended 31 December 2023 was £185 thousand (2022: £215 thousand).

Set out below is a split of the lease liabilities, cash payments and effect in the income statement between lease agreements for a period longer than 40 years ('long-term leases') and leases for a period of up to 40 years ('short-term leases').

	Year ended 31 December 2023 £'000		
	Long-term leases (>40)	Short-term leases (<40)	Total
Lease liabilities	**244,437**	**32,926**	**277,363**
Fixed lease payments	**9,408**	**4,947**	**14,355**
Accretion of interest	**9,629**	**816**	**10,445**
Depreciation	**3,857**	**3,320**	**7,177**

	Year ended 31 December 2022 £'000		
	Long-term leases (>40)	Short-term leases (<40)	Total
Lease liabilities	234,050	33,001	267,051
Fixed lease payments	9,031	5,596	14,627
Accretion of interest	8,968	984	9,952
Depreciation	3,774	2,779	6,553

Details regarding certain long-term lease agreements are as below:

(a) On 29 January 2020, the Group through its subsidiary Arena, entered into a 45-year lease for the development and operation of a contemporary branded hotel in Zagreb, Croatia. The development, which is subject to obtaining the necessary permits, involves the conversion of an iconic building in a prime location in the historic heart of the city. This 110-room hotel was opened in Q4 2023 and included a destination restaurant and bar, wellness and spa facilities, fitness centre, event space and parking. The annual rent amounts to €430 thousand.

(b) Grandis has a land leasehold interest, expiring in 2095, of Holmes Hotel London. Based on the latest rent review that was signed on 29 September 2022, the annual rent amounts to £1,250 thousand.

Grandis has an option to extend the lease to a total of 125 years, expiring in 2121. The Company also has an option to terminate the lease in 2059.

(c) Riverbank Hotel Holding B.V. has a land leasehold interest, expiring in 2125, for Park Plaza London Riverbank, subject to rent review every five years, based on CPI. Based on the latest rent review, with effect from 10 May 2020, the annual rent amounts to £1,135 thousand.

(d) On 18 June 2012, Park Royal Hotel Holding B.V. ('Park Royal') completed the purchase of the freehold property at 628 Western Avenue, Park Royal, London (the 'Site'), which was a development site on one of the main thoroughfares into London, for £6.0 million. Simultaneously, Park Royal completed the sale of the Site at a price of £7.0 million and the leaseback of the Site at an initial rent of £306 thousand per year for 170 years, subject to rent review every five years, based on CPI with a cap of 5%. Based on the latest rent review, with effect from 15 June 2022, the annual rent amounts to £417 thousand.

(e) On 20 July 2017, Waterloo Hotel Holding B.V. completed the sale of Park Plaza London Waterloo for £161.5 million subject to a leaseback for 199 years. The initial rent of £5.6 million per year will have annual inflation adjustments subject to a cap of 4% and collar of 2%.

The following are the amounts recognised in profit or loss:

	As at 31 December	
	2023 £'000	2022 £'000
Depreciation expense	**7,177**	6,553
Interest expense on lease liabilities	**10,260**	9,737
Expense relating to low-value assets and short-term leases (included in operating expenses)	**227**	169
Expense relating to low-value assets and short-term leases (included in rent expenses)	**583**	877
Variable lease payments (included in rent expenses)	**1,749**	1,544
Total amount recognised in profit or loss	**19,996**	18,880

The Group had total cash outflows for leases of £15,327 thousand in 2023 (2022: £15,673 thousand). The future cash outflows relating to leases that have commenced are disclosed in Note 29c.

The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments in 2023 and 2022:

	As at 31 December 2023		
	Fixed payments £'000	Variable payments £'000	Total £'000
Fixed rent	13,173	–	13,173
Variable rent with minimum payment	1,182	–	1,182
Variable rent only[1]	–	1,749	1,749

	As at 31 December 2022		
	Fixed payments £'000	Variable payments £'000	Total £'000
Fixed rent	13,369	–	13,369
Variable rent with minimum payment	1,258	–	1,258
Variable rent only[1]	–	1,544	1,544

1 Relates mainly to the concession fee on land (see Note 14).

Lease extension and termination options:

The Group has leases that include extension and termination options. These options provide flexibility in managing the leased assets and align with the Group's business needs. The Group exercises significant judgement in deciding whether it is reasonably certain that the extension and termination options will be exercised.

Set out below are details of potential future undiscounted lease payments for periods covered by extension options that were not included in the measurement of the Company's lease liabilities. As of the end of the reporting period the Group does not expect to exercise any termination option.

	Up to five years £'000	More than five years £'000
Lease payments applicable in extension option periods which as of the end of the reporting period are not reasonably certain to be exercised	5,676	4,019

Note 18 Other payables and accruals

	As at 31 December	
	2023 £'000	2022 £'000
Current portion of lease liabilities (Note 17)	4,089	5,507
Current portion of share appreciation rights (Note 5(b))	2,703	5,519
Employees	5,120	4,640
VAT and taxes	13,748	14,514
Accrued interest	3,361	3,128
Corporate income taxes	136	130
Accrued expenses	22,228	26,808
Advance payments received	9,260	8,238
Accrued rent	6,354	4,402
Variable income payment to holders of Income Units	4,166	4,137
Related parties[1]	7,984	3,712
Other	–	109
	79,149	80,844

1 Majority of this balance (£7,909 thousand) relates to an accrual for costs of the building contract with Gear Construction UK Limited for the design and construction of the art'otel London Hoxton that were paid after the reporting date (see Note 28).

Note 19 Revenues

	As at 31 December	
	2023 £'000	2022 £'000
Room revenue from owned hotels[1]	291,953	232,735
Room revenue from leased hotels[2]	8,127	5,058
Campsites and mobile homes	23,659	22,592
Food and beverage	74,106	56,711
Minor operating (including room cancellation)	8,364	7,401
Management fee (see Note 12(c)(i))	3,056	2,183
Franchise and reservation fee (see Note 12(c)(i))	2,814	1,466
Marketing fee	1,048	718
Other	1,471	1,227
	414,598	330,091

1 Room revenue from owned hotels includes also revenue from hotels that are under a <100 long-term lease.
2 Room revenue from leased hotels includes the revenue from Park Plaza Budapest and Park Plaza Wallstreet Berlin Mitte which are under 20-year lease contracts.

Note 20 Operating expenses

	As at 31 December	
	2023 £'000	2022 £'000
Salaries and related expenses	131,048	109,412
Franchise, reservation and commissions expenses (see Note 12(c)(i))	31,960	28,419
Food and beverage	20,872	16,471
Insurance and property taxes	16,343	19,156
Utilities	20,888	11,570
Administration costs	8,820	7,905
Maintenance	8,153	6,839
Laundry, linen and cleaning	6,740	5,472
Supplies	6,354	4,573
IT expenses	2,238	2,195
Communication, travel and transport	2,712	1,939
Marketing expenses	2,939	1,864
Government grants payroll	250	(183)
Government grants fixed costs	172	(2,461)
Defined contribution pension premiums	5,249	4,588
Other expenses	19,352	15,328
	284,090	233,087

Note 21 Financial expenses

	As at 31 December	
	2023 £'000	2022 £'000
Interest and other finance expenses on bank loans	25,385	24,815
Interest on lease liabilities	10,260	9,737
Foreign exchange differences, net	–	2,012
Other	500	693
	36,145	37,257

Note 22 Financial income

	As at 31 December	
	2023 £'000	2022 £'000
Income from Park Plaza County Hall London Units	1,006	887
Interest on bank deposits	2,480	375
Foreign exchange differences, net	918	–
Interest and other financial income from jointly controlled entities (see Note 28(b))	354	117
Other	–	137
	4,758	1,516

Note 23 Other income and expenses

a. Other expenses

	As at 31 December	
	2023 £'000	2022 £'000
Capital loss on buy-back of Income Units previously sold to private investors	3,266	1,499
Revaluation of interest rate swap (see Note 29(a))	4,553	–
Re-measurement of lease liability[1]	3,852	3,704
Loss on disposal of fixed assets	29	47
Other non-recurring expenses (including pre-opening expenses)	1,346	1,422
Revaluation of share appreciation rights (see Note 5(b)(i))	–	119
	13,046	6,791

1 This amount represents re-measurement of the Waterloo lease liability based on the 2% collar (see Note 17).

b. Other income

	As at 31 December	
	2023 £'000	2022 £'000
Revaluation of share appreciation rights (see Note 5(b)(i))	2,816	–
Revaluation of interest rate swap (see Note 29(a))	–	9,692
Revaluation of Income Units Park Plaza County Hall London (see Note 6)	1,600	300
	4,416	9,992

Note 24 Net expenses for financial liability in respect of Income Units sold to private investors

	As at 31 December	
	2023 £'000	2022 £'000
Variable return (see Note 2(e))	15,311	11,947
Reimbursement of depreciation expenses (see Note 2(e))	(1,155)	(1,164)
	14,156	10,783

Note 25 Income taxes

a. Tax benefit (expense) included in the income statement

	As at 31 December	
	2023 £'000	2022 £'000
Current taxes	(2,760)	(394)
Adjustments in respect of current income tax of previous year	(8)	87
Deferred taxes	1,091	3,663
	(1,677)	3,356

b. The following are the major deferred tax (liabilities) and assets recognised by the Group and changes therein during the period:

	Tax loss carry forward and timing difference on provisions £'000	Property, plant and equipment and intangible assets £'000	Tax incentives £'000	Total £'000
Balance as at 1 January 2023	**12,928**	**(11,134)**	**5,193**	**6,987**
Amounts charged to income statement	**8,744**	**(7,653)**	**–**	**1,091**
Adjustments for exchange rate differences	**(167)**	**140**	**(96)**	**(123)**
Balance as at 31 December 2023	**21,505**	**(18,647)**	**5,097**	**7,955**
Balance as at 1 January 2022	8,334	(11,009)	5,660	2,985
Amounts charged to income statement	4,134	274	(745)	3,663
Adjustments for exchange rate differences	460	(399)	278	339
Balance as at 31 December 2022	12,928	(11,134)	5,193	6,987

The above deferred taxes have been set off when they relate to the same jurisdictions and presented in the consolidated financial statements as follows:

	As at 31 December	
	2023 £'000	2022 £'000
Deferred tax assets	**13,833**	12,909
Deferred tax liabilities	**(5,878)**	(5,922)
	7,955	6,987

c. Reconciliation between tax benefit (expense) and the product of accounting profit multiplied by the Group's tax rate is as follows:

	As at 31 December	
	2023 £'000	2022 £'000
Profit before income taxes	**28,822**	11,456
Expected tax at the tax rate of the United Kingdom 25% (2022: 19%)	**(7,206)**	(2,177)
Adjustments in respect of:		
Effects of other tax rates	**10,240**	1,265
Non-deductible expenses	**(627)**	(199)
Disallowed interest for which deferred tax asset was not recorded	**(11,078)**	(3,922)
Temporary differences for which no deferred tax was recorded	**(5,014)**	4,307
Non-taxable income	**484**	431
Unrecognised current year tax losses	**(2,966)**	(1,695)
Recognition of deferred tax asset on losses from previous years	**14,377**	5,171
Other differences	**113**	175
Income tax benefit (expense) reported in the income statement	**(1,677)**	3,356

d. Tax laws applicable to the Group companies:

(i) The Company is subject to taxation under the laws of Guernsey. The Company is therefore taxed at the standard rate of 0%.

(ii) Foreign subsidiaries are subject to income taxes in their country of domicile in respect of their income, as follows:

1. Taxation in the Netherlands: corporate income tax rate is 25.8%.
2. Taxation in the United Kingdom: corporate income tax rate for domiciled companies and for non-domiciled companies is 25% (2022: 19%).
3. Taxation in Germany: aggregated corporate tax rate and trade income rate is 29.7%.
4. Taxation in Hungary: corporate income tax rate is 9%.
5. Taxation in Croatia: corporate income tax rate is 18%.
6. Taxation in Italy: aggregated corporate tax rate (IRES) and local tax (IRAP) rate is 27.9%.
7. Taxation in Austria: corporate income tax rate is 25%.
8. Taxation in Serbia: corporate income tax rate is 15%.

Corporate tax rate in the UK – In March 2021, the UK government adopted the Spring Budget 2021 which included an increase in the UK corporate tax rate from 19% to 25% from 1 April 2023.

e. Losses carried forward for tax purposes

The Group has carried forward losses for tax purposes estimated at approximately £198.2 million (2022: £212.1 million). Movement in 2023 mainly relates to the utilisation of losses in the amount of approximately £26 million net of creation of new losses in the amount of approximately £11.9 million.

The Group did not establish deferred tax assets in respect of losses amounting to £118.6 million (2022: £163.5 million). Movement in 2023 mainly relates to the recognition of deferred tax assets in the amount of approximately £56.8 million net of creation of new losses in the amount of approximately £11.9 million.

The carried forward losses relate to individual companies in the Group, each in its own tax jurisdiction. When analysing the recoverability of these losses the Group assesses the likelihood that these losses can be utilised against foreseeable future trading profits while considering the limitations and the nature of the available losses. In this analysis the Group concluded that for the majority of these companies it is not probable that future profits will be achieved that can be offset against these losses, mainly due to the nature of their trade (i.e. holding companies or tax exempt activities). Based on this uncertain profitability, the Company determined that it could not recognise deferred tax assets for most of the losses. The Company is performing this analysis on an ongoing basis.

f. Tax incentives

In May 2019, based on confirmation from the Ministry of Economy and pursuant to the Investment Promotion and Development of Investment Climate Act in Croatia, Arena became eligible to claim incentive allowances. Investments eligible for incentives are investments done in Arena One 99 Glamping Campsite, Arena Grand Kažela Campsite, Hotel Brioni and Verudela Beach self-catering apartment complexes, among others.

Arena has the right to use the investment tax credits until 2027. The execution of the investment project is subject to supervision by the relevant institutions throughout the period of use of the tax credits and Arena will need to present regular annual reports to the tax authority in which it will evidence that the conditions for the use of the tax credits are met.

Note 26 Earnings per share

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

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

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

Note 27 Segments

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

	Year ended 31 December 2023							
	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other[1] £'000	Management and Central Services £'000	Adjustments[2] £'000	Consolidated £'000
Revenue								
Third party	63,302	22,759	234,912	78,123	7,859	7,643	–	414,598
Inter-segment	–	–	400	257	–	40,626	(41,283)	–
Total revenue	63,302	22,759	235,312	78,380	7,859	48,269	(41,283)	414,598
Segment EBITDA	19,580	5,466	76,276	20,409	(528)	6,973	–	128,176
Depreciation, amortisation								(45,068)
Financial expenses								(36,145)
Financial income								4,758
Net expenses for liability in respect of Income Units sold to private investors								(14,156)
Other income (expenses), net								(8,630)
Share in result of joint ventures								(113)
Profit before tax								28,822

1 Includes art'otel Budapest in Hungary, 88 Rooms Hotel in Belgrade, Serbia, Londra & Cargill Hotel in Rome, Italy, and FRANZ Ferdinand Mountain Resort in Nassfeld, Austria.
2 Consist of inter-company eliminations.

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

1 Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets and intangible assets.
2 This includes the non-current assets of Management and Central Services.

	Year ended 31 December 2022							
	The Netherlands £'000	Germany £'000	United Kingdom £'000	Croatia £'000	Other[1] £'000	Management and Central Services £'000	Adjustments[2] £'000	Consolidated £'000
Revenue								
Third party	41,573	17,724	190,105	69,237	6,344	5,108	–	330,091
Inter-segment	–	16	302	168	–	32,365	(32,851)	–
Total revenue	41,573	17,740	190,407	69,405	6,344	37,473	(32,851)	330,091
Segment EBITDA	11,163	6,368	56,218	21,426	(629)	37		94,583
Depreciation, amortisation								(40,006)
Financial expenses								(37,257)
Financial income								1,516
Net expenses for liability in respect of Income Units sold to private investors								(10,783)
Other income (expenses), net								3,201
Share in result of joint ventures								202
Profit before tax								11,456

1 Includes art'otel Budapest in Hungary, 88 Rooms Hotel in Belgrade, Serbia, Londra & Cargill Hotel in Rome, Italy, and FRANZ ferdinand Mountain Resort in Nassfeld, Austria.
2 Consist of inter-company eliminations.

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

1 Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets and intangible assets.
2 This includes the non-current assets of Management and Central Services.

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Note 28 Related parties

a. Balances with related parties

	As at 31 December 2023 £'000	2022 £'000
Loans to joint ventures (see Note 5a)	6,515	5,573
Short-term receivables	65	100
Payable to GC Project Management Limited	(75)	(185)
Payable to Gear Construction UK Limited (see Notes 16 and 18)	(12,445)	(6,218)

b. Transactions with related parties

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

c. Significant other transactions with related parties

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

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

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

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

(iii) **Pre-Construction and Maintenance Contract** – The Group frequently uses GC Project Management Limited (GC) to undertake preliminary assessment services, including appraisal work, and provide initial estimates of the construction costs. Further, GC provides ad-hoc maintenance work when required to the Group's various sites. Accordingly, the Group has entered into an agreement with GC for the provision of pre-construction and maintenance services by GC to the Group for a fixed annual retainer of £60,000.

(iv) Transactions in the ordinary course of business, in connection with the use of hotel facilities (such as overnight room stays and food and beverages) are being charged at market prices. These transactions occur occasionally.

(v) **Londra & Cargill project management agreement** – The Group entered into a series of agreements with GC Project Management Limited for the provision of project management services and site supervision services to the Group in respect of the redevelopment of Hotel Londra & Cargill in Rome, Italy, commencing in 2022 and completing in 2024 for a fee capped at £920,000 to be paid in monthly instalments for the duration of the project.

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

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

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

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

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

Directors' interests in employee share incentive plan

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

Note 29 Financial instruments risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank borrowings, cash and cash equivalents and restricted deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

	As at 1 January 2023 £'000	Cash flows £'000	Re-measurement through profit and loss £'000	Re-measurement against right-of-use assets £'000	Re-measurement against equity £'000	Foreign exchange movement £'000	New leases/ loans, net £'000	Movement through profit and loss £'000	Re-classification and other movements £'000	As at 31 December 2023 £'000
Non-current interest-bearing loans and borrowings	817,631	–	–	–	–	(5,720)	65,265	–	(31,977)	845,199
Non-current lease liability	261,544	–	3,852	11,001	–	156	165	(882)	(2,562)	273,274
Financial liability in respect of Income Units sold to private investors	121,084	(5,609)	–	–	–	–	–	–	(1,188)	114,287
Non-current Derivative financial instruments	(30,539)	–	4,553	–	4,645	41	–	–	–	(21,300)
Current Derivative financial instruments	–	4,080	–	–	–	–	–	–	(2,403)	1,677
Current share appreciation rights	5,519	–	(2,816)	–	–	–	–	–	–	2,703
Current interest-bearing loans and borrowings	47,101	(31,717)	–	–	–	(1,243)	–	844	32,852	47,837
Current lease liability[1]	5,507	(4,095)	–	–	–	(39)	–	–	2,716	4,089
	1,227,847	(37,341)	5,589	11,001	4,645	(6,805)	65,430	(38)	(2,562)	1,267,766

1 Includes accrued interest on deferred lease payments.

	As at 1 January 2022 £'000	Cash flows £'000	Re-measurement through profit and loss £'000	Re-measurement against right-of-use assets £'000	Re-measurement against equity £'000	Foreign exchange movement £'000	New leases/ loans, net £'000	Movement through profit and loss £'000	Re-classification and other movements £'000	As at 31 December 2022 £'000
Non-current interest-bearing loans and borrowings	729,284	–	–	–	–	16,091	106,879	–	(34,623)	817,631
Non-current lease liability	245,274	–	3,704	14,234	–	307	50	1,662	(3,687)	261,544
Financial liability in respect of Income Units sold to private investors	124,551	(4,887)	–	–	–	–	–	–	1,420	121,084
Derivative financial instruments	457	(109)	(9,692)	–	(21,002)	(71)	–	–	(122)	(30,539)
Non-current share appreciation rights	4,860	–	–	–	–	–	–	–	(4,860)	–
Current share appreciation rights	540	–	119	–	–	–	–	–	4,860	5,519
Current interest-bearing loans and borrowings	38,840	(31,087)	–	–	–	3,187	–	941	35,220	47,101
Current lease liability[1]	6,344	(4,890)	–	–	–	151	–	–	3,902	5,507
	1,150,150	(40,973)	(5,869)	14,234	(21,002)	19,665	106,929	2,603	2,110	1,227,847

1 Includes accrued interest on deferred lease payments.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees on policies for managing each of these risks which are summarised below. The Group's accounting policies in relation to derivatives are set out in Note 2.

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a. Interest rate risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The Group's policy is to manage its interest costs using fixed-rate debt. To manage its interest costs, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Furthermore, the Group uses fixed interest rate debts. For this reason the Group's cash flow is not significantly sensitive to possible changes in market interest rates. Possible changes in interest rates do, however, affect the Group's equity as the fair value of the swap agreements changes with interest rate changes. These swaps are designated to hedge underlying debt obligations.

The Company has entered into interest rate swap contracts with unrelated financial institutions in order to reduce the effect of interest rate fluctuations or risk of certain real estate investment's interest expense on its variable rate debt. The Company is exposed to credit risk in the event of non-performance by the counterparty to these financial instruments. Management believes the risk of loss due to non-performance to be minimal and therefore decided not to hedge this.

The accounting treatment for the interest rate swaps and whether they qualify as accounting hedges under IFRS 9 is determined separately for each contract. If the contract qualifies as accounting hedge then the unrealised gain or loss on the contract is recorded in the consolidated statement of comprehensive income. If the contract does not qualify as accounting hedge then the gain or loss on the contract is recorded in the consolidated income statement. The fair value of the interest rate swaps is determined by taking into account the present interest rates compared to the contracted fixed rate over the life of the contract. The valuation models incorporate various market inputs such as interest rate curves and the fair value measurement is classified to Level 2 of the fair value hierarchy.

For the year ended 31 December 2023, the Company recorded a loss of £4.5 million (2022: profit of £9.7 million) in Other expenses in the consolidated income statement and an unrealised loss of £5.0 million (2022: profit of £21.1 million) in the consolidated statement of comprehensive income representing the change in the fair value of these interest rate swaps during the period. The aggregate fair value of the interest rate swap contracts was £23.0 million as at 31 December 2023 (2022: £30.5 million) and is included in Other receivables and prepayments and Other non-current financial assets on the consolidated statements of financial position.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Effect on profit before tax £'000		
Increase in floating interest rate[1]	GBP	EUR	US Dollar
1%	38	43	118
2%	76	87	236
5%	189	217	590

1 The assumed movement in floating interest rate for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

b. Credit risk

The Group trades only with recognised, creditworthy third parties. It has policies in place to ensure that sales are made to customers with an appropriate credit history. The Company's policies ensure that sales to customers are settled through advance payments, in cash or by major credit cards (individual customers). Since the Group trades only with recognised third parties, there is no requirement for collateral for debts with third parties. Furthermore, the Group has no dependency on any of its customers. The receivable balances are monitored on an ongoing basis. Management monitors the collection of receivables through credit meetings and weekly reports on individual balances of receivables. The maximum credit exposure equals the carrying amount of the trade receivables

and other receivables since a loss allowance for expected credit losses is recorded in respect of all trade and other receivables. The result of these actions is that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group has limited concentration risk in respect of its cash at banks.

c. Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group's policy is to arrange medium-term bank facilities to finance its construction operation and then to convert them into long-term borrowings when required.

The Group continues to hold a strong liquidity position with an overall consolidated cash balance of £150.4 million as at 31 December 2023.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2023 and 2022 based on contractual undiscounted payments.

	As at 31 December 2023					
	Less than 3 months £'000	3 to 12 months £'000	Year 2 £'000	Year 3 to 5 £'000	> 5 years £'000	Total £'000
Interest-bearing loans and borrowings[1]	20,131	59,145	91,352	659,588	195,015	1,025,231
Financial liability in respect of Income Units sold to private investors[2]	3,828	11,483	15,311	45,933	114,287	190,842
Lease liability[3]	3,145	9,944	14,508	42,322	885,424	955,343
Trade payables	15,067	–	–	–	–	15,067
Other liabilities	45,793	30,061			20,612	96,466
	87,964	110,633	121,171	747,843	1,215,338	2,282,949

	As at 31 December 2022					
	Less than 3 months £'000	3 to 12 months £'000	Year 2 £'000	Year 3 to 5 £'000	> 5 years £'000	Total £'000
Interest-bearing loans and borrowings[1]	19,319	56,534	59,962	545,414	322,947	1,004,176
Financial liability in respect of Income Units sold to private investors[2]	3,285	9,855	13,140	39,420	121,084	186,784
Lease liability[3]	3,248	9,919	13,498	39,848	890,068	956,581
Trade payables	13,565	–	–	–	–	13,565
Other liabilities	37,707	37,630	–	–	18,062	93,399
	77,124	113,938	86,600	624,682	1,352,161	2,254,505

1 See Note 13 for further information.
2 Presented according to discounted amount due to the variability of the payments over the balance of the 999-year term.
3 Lease liability includes four leases with upward rent reviews based on future market rates in one lease and changes in the CPI/RPI in the other lease and, thus, future payments have been estimated using current market rentals and current United Kingdom-based CPIs/RPIs, respectively, except Park Plaza London Waterloo where the amounts included 50 years of future payments regarding the lease of Park Plaza London Waterloo instead of 199 years as stated in the lease agreement. Also, the amounts do not take into account the collar of 2%. The Group's management believes that the amount included in the above table reflects the relevant cash flow risks to which the Group would be reasonably exposed in the ordinary course of business.

d. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group monitors capital using a gearing ratio, which is net bank debt divided by total capital plus net bank debt. The Group's policy is to keep the gearing ratio between 50% and 60%. The Group includes within net bank debt interest-bearing bank loans and borrowings, less cash and cash equivalents and other liquid assets. Capital includes equity less the hedging reserve.

	2023 £'000	2022 £'000
Interest-bearing bank loans and borrowings	893,036	864,732
Less – cash and cash equivalents	(150,416)	(163,589)
Less – long-term restricted cash	(10,385)	(9,272)
Less – short-term restricted cash	(6,909)	(9,229)
Net debt	725,326	682,642
Equity	531,173	503,245
Hedging reserve[1]	(15,396)	(20,398)
Total capital	515,777	482,847
Capital and net debt	1,241,103	1,165,489
Gearing ratio	58.4%	58.6%

1 Includes the hedging reserve that Is allocated to the Non-controlling interests.

e. Fair value of financial instruments

The fair values of the financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade receivables, trade payables, and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of floating interest rate liabilities also approximates their carrying amount as the periodic changes in interest rates reflect the movement in market rates.

The fair value of loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by a valuation technique based on the lowest level input that is significant to the fair value so determined:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques for swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, and interest rate curves. The Group also granted share appreciation rights of the Company to Clal (see Note 5b) which is valued by using the Black–Scholes model. In addition, the Group also holds 46 Income Units in Park Plaza County Hall London which were valued by external valuator using a discounted cash flow technique.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

As at 31 December 2023, the Group held the following financial instruments measured at fair value:

Liabilities

	31 December 2023 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Share appreciation rights	2,703	–	2,703	–

Assets

	31 December 2023 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Interest rate swaps used for hedging	22,977	–	22,977	–
Income Units in Park Plaza County Hall London	17,700	–	17,700	–

As at 31 December 2022, the Group held the following financial instruments measured at fair value:

Liabilities

	31 December 2022 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Share appreciation rights	5,519	–	5,519	–

Assets

	31 December 2022 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Interest rate swaps used for hedging	30,539	–	30,539	–
Income Units in Park Plaza County Hall London	16,100	–	16,100	–

During 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The carrying amounts and fair values of the Group's financial instruments other than those whose carrying amount approximates their fair value are as follows:

	Carrying amount 31 December		Fair value 31 December	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Financial liabilities				
Bank borrowings	893,036	864,732	860,244	811,179

Note 30 Subsequent events

a. Tourist land regulations in Croatia

On 9 February 2024 the final regulation concerning tourist land was passed by the Croatian Government (see Note 14).

b. Final dividend

The Board is proposing a final dividend payment of 20 pence per share (2022: 12 pence per share). Subject to shareholder approval at the Annual General Meeting.

Appendices

Subsidiaries included in the Group

Name of company	Principal activity	Country of incorporation	Direct and indirect holdings %
1 Westminster Bridge Plaza Management Company Limited	Hotel operation	United Kingdom	55.1
A40 Data Centre B.V.	Holding company	Netherlands	100
A40 Office B.V.	Holding company	Netherlands	100
ABK Hotel Holding B.V.	Holding company	Netherlands	53.8
ACO Hotel Holding B.V.	Holding company	Netherlands	53.8
Amsterdam Airport Hotel Holding B.V. (formerly known as Victoria Schiphol Holding B.V.)	Holding company	Netherlands	100
Amsterdam Airport Hotel Operator B.V.	Hotel operation	Netherlands	100
Arena 88 Rooms Holding d.o.o.	Holding company	Serbia	53.8
Arena 88 Rooms d.o.o.	Hotel operation	Serbia	53.8
ARENA FRANZ Ferdinand GmbH	Hotel operation	Austria	53.8
Arena Hospitality Group d.d.	Hotel operation	Croatia	53.8
Arena Hospitality Management d.o.o.	Management	Croatia	53.8
art'amsterdam Hotel Operator B.V.	Hotel operation	Netherlands	100
art'otel Berlin City Center West GmbH	Hotel operation	Germany	53.8
art'otel köln betriebsgesellschaft mbH	Hotel operation	Germany	53.8
Art'otel (I.L.) Management Services Limited (under liquidation)	Holding company	Israel	100
Aspirations (Limited)	Holding company	Guernsey	51
Bora B.V. (formerly known as WH/DMREF Bora B.V.)	Holding company	Netherlands	100
Bora Finco B.V.	Holding company	Netherlands	100
County Hall Hotel Holdings B.V. (formerly known as PPHE Arena Holding B.V.)	Holding company	Netherlands	100
Dvadeset Osam d.o.o. (formerly known as W2005/Dvadeset Osam d.o.o.)	Holding company	Croatia	100
Eindhoven Hotel Operator B.V.	Hotel operation	Netherlands	100
Euro Sea Hotels N.V.	Holding company	Netherlands	100
Germany Real Estate B.V.	Holding company	Netherlands	53.8
Golden Wall Investments Limited	Finance company	British Virgin Islands	100
Grandis Netherlands Holding B.V.	Holding company	Netherlands	100
Hotel Club Construction B.V. (formerly Hotel Maastricht B.V.)	Holding company	Netherlands	100
Hotel Leeds Holding B.V.	Holding company	Netherlands	100
Hotel Nottingham Holding B.V.	Holding company	Netherlands	100
Hoxton Hotel Operator Limited	Hotel operation	United Kingdom	51
Leeds Hotel Operator Limited (formerly Nottingham Park Plaza Hotel Operator Limited)	Hotel operation	United Kingdom	100
Leno Investment Limited	Holding company	Guernsey	100

Name of company	Principal activity	Country of incorporation	Direct and indirect holdings %
Londra Cargill Parent S.r.l.	Holding company	Italy	100
Marlbray Limited	Holding company	United Kingdom	100
Mazurana d.o.o.	Holding company	Croatia	53.8
North Lambeth Holding B.V.	Holding company	Netherlands	100
Nottingham Hotel Operator Limited	Hotel operation	United Kingdom	100
Oaks Restaurant Operator Limited	Hotel operation	United Kingdom	100
Park Plaza Berlin Hotelbetriebsgesellschaft mbH (in liquidation)	Hotel operation	Germany	53.8
Park Plaza County Hall London Ltd	Holding company	United Kingdom	11.5
Park Plaza Germany Holdings GmbH	Holding company	Germany	53.8
Park Plaza Hospitality Services (UK) Limited	Hotel operation	United Kingdom	100
Park Plaza Hotels (Germany) Services GmbH	Hotel operation	Germany	53.8
Park Plaza Hotels (UK) Limited	Holding company	United Kingdom	100
Park Plaza Hotels (UK) Services Limited	Management	United Kingdom	100
Park Plaza Hotels Berlin Wallstrasse GmbH	Hotel operation	Germany	53.8
Park Plaza Hotels Europe (Germany) B.V.	Holding company	Netherlands	100
Park Plaza Hotels Europe B.V.	Management	Netherlands	100
Park Plaza Hotels Europe Holdings B.V.	Holding company	Netherlands	100
Park Plaza Nürnberg GmbH	Hotel operation	Germany	53.8
Park Royal Hotel Holding B.V. (formerly known as Club A40 Holding B.V.)	Holding company	Netherlands	100
Park Royal Hotel Operator Limited (formerly known as Club A40 Hotel Operator Limited)	Hotel operation	United Kingdom	100
Parkvondel Hotel Holding B.V.	Holding company	Netherlands	100
Parkvondel Hotel Operator B.V.	Hotel operation	Netherlands	100
Parkvondel Hotel Real Estate B.V.	Holding company	Netherlands	100
PPHE Art Holding B.V.	Holding company	Netherlands	100
PPHE Coop B.V.	Holding company	Netherlands	100
PPHE Germany B.V.	Holding company	Netherlands	100
PPHE Germany Holdings GmbH	Holding company	Germany	53.8
PPHE Headco Limited	Holding company	United Kingdom	100
PPHE Holdings Limited	Holding company	United Kingdom	100
PPHE Hotel Group Limited	Holding company	Guernsey	100
PPHE Hoxton B.V.	Holding company	Netherlands	51
PPHE Living Limited	Holding company	United Kingdom	100
PPHE Management (Croatia) B.V.	Holding company	Netherlands	100
PPHE Netherlands B.V. (formerly Maastricht Hotel Holding B.V.)	Holding company	Netherlands	100
PPHE NL Region B.V.	Holding company	Netherlands	100
PPHE Nürnberg Operator Hotelbetriebsgesellschaft mbH	Hotel operation	Germany	53.8
PPHE Support Services Limited	Hotel operation	United Kingdom	100
PPHE UK Holding B.V. (formerly Club Euro Hotels B.V.)	Holding company	Netherlands	100
PPHE USA B.V.	Holding company	Netherlands	100

Name of company	Principal activity	Country of incorporation	Direct and indirect holdings %
PPHE USA Holding B.V.	Holding company	Netherlands	100
PPHE West 29th Street USA Inc	Holding company	Delaware	100
PPWL Parent B.V.	Holding company	Netherlands	100
Riverbank Hotel Holding B.V.	Holding company	Netherlands	51
Riverbank Hotel Operator Limited	Hotel operation	United Kingdom	51
Sherlock Holmes Hotel Shop Limited	Hotel operation	United Kingdom	100
Sherlock Holmes Park Plaza Limited	Hotel operation	United Kingdom	100
Signature Sub BV	Holding company	Netherlands	51
Signature Top Ltd	Holding company	United Kingdom	51
Signature Top II Ltd	Holding company	United Kingdom	51
Società Immobiliare Alessandro De Gasperis S.r.l.	Hotel operation	Italy	51
South Bank Hotel Management Company Ltd	Holding company	United Kingdom	11.5
Suf Holding B.V.	Holding company	Netherlands	100
Sugarhill Investments B.V.	Holding company	Netherlands	53.8
SW Szállodaüzemeltetö Kft	Hotel operation	Hungary	53.8
The Mandarin Hotel B.V.	Holding company	Netherlands	100
TOZI Restaurant Operator Limited	Hotel operation	United Kingdom	100
Ulika d.o.o.	Holding company	Croatia	53.8
Utrecht Hotel Holding B.V.	Holding company	Netherlands	100
Utrecht Hotel Operator B.V.	Hotel operation	Netherlands	100
Victoria Amsterdam Hotel Holding B.V.	Holding company	Netherlands	100
Victoria Amsterdam Hotel Operator B.V.	Hotel operation	Netherlands	100
Victoria London (Real Estate) B.V.	Holding company	Netherlands	100
Victoria London B.V. (formerly known as Club Luton Hotel Holding B.V. and Club Ealing Hotel Holding B.V.)	Holding company	Netherlands	100
Victoria Monument B.V.	Holding company	Netherlands	100
Victoria Park Plaza Operator Limited	Hotel operation	United Kingdom	100
W29 Development LLC	Holding company	Delaware	100
W29 Owner LLC	Holding company	Delaware	100
Waterloo Hotel Holding B.V. (formerly known as Hercules House Holding B.V.)	Holding company	Netherlands	100
Waterloo Hotel Operator Limited (formerly known as Hercules House Operator Limited)	Hotel operation	United Kingdom	100
Westminster Bridge Hotel Operator Limited	Hotel operation	United Kingdom	100
Westminster Bridge London (Real Estate) B.V.	Holding company	Netherlands	100
Westminster Bridge London B.V.	Holding company	Netherlands	100

Jointly controlled entities

Name of company	Principal activity	Country of incorporation	Direct and indirect holdings %
art'otel berlin mitte/Park Plaza Betriebsgesellschaft mbH[1]	Hotel operation	Germany	50
Park Plaza Betriebsgesellschaft mbH[1]	Hotel operation	Germany	50
PPBK Hotel Holding B.V. (formerly known as ABK Hotel Holding B.V.)[1]	Holding company	Netherlands	50
ABM Hotel Holding B.V.[1]	Holding company	Netherlands	50

1 Indirectly held through Arena Hospitality Group d.d.

Current renovation, repositioning and pipeline projects

Project	Location	Scope	Status
Radisson RED Belgrade (former 88 Rooms Hotel)	Belgrade, Serbia	Repositioning	Opened February 2024
art'otel London Hoxton	London, United Kingdom	New development	Expected to open Q2 2024
Radisson RED Berlin Kudamm (former Park Plaza Berlin Kudamm)	Berlin, Germany	Repositioning	Expected to open Q2 2024
art'otel Rome Piazza Sallustio	Rome, Italy	Repositioning	Expected to open H1 2024
Development project London Victoria	London, United Kingdom	Asset optimisation	In design process
Development site Park Royal London	London, United Kingdom	New development	In design process
Development site Westminster Bridge Road, London	London, United Kingdom	New development	Planning submitted
art'otel in New York City	New York City, United States	New development	Temporarily paused
Guest House Hotel Riviera, Pula	Istria, Croatia	Repositioning	Temporarily paused

Glossary

Annual General Meeting	The Annual General Meeting of PPHE Hotel Group.
Annual Report and Accounts	The Annual Report of PPHE Hotel Group in relation to the year ended 31 December 2023.
Arena Campsites	Are located in eight beachfront sites across the Southern coast of Istria, Croatia. They operate under the Arena Hospitality Group umbrella, of which PPHE Hotel Group is a controlling shareholder. www.arenacampsites.com
Arena Hospitality Group	Arena Hospitality Group is also referred to as 'Arena' and is one of the most dynamic hospitality groups in Central and Eastern Europe, currently offering a portfolio of 30 owned, co-owned, leased and managed properties with more than 10,000 rooms and accommodation units in Croatia, Germany, Hungary, Serbia and Austria. PPHE Hotel Group has a controlling ownership interest in Arena Hospitality Group. www.arenahospitalitygroup.com
Arena Hotels & Apartments	A collection of hotels and self-catering apartment complexes offering relaxed and comfortable accommodation within beachfront locations across the historical settings of Pula and Medulin in Istria, Croatia. They operate under the Arena Hospitality Group umbrella, of which PPHE Hotel Group is a controlling shareholder.
art'otel®	A lifestyle collection of hotels that fuse exceptional architectural style with art-inspired interiors, located in cosmopolitan centres across Europe. PPHE Hotel Group is owner of the art'otel® brand worldwide. www.artotel.com
Board	Eli Papouchado (Non-Executive Chairman), Yoav Papouchado (Alternate Director), Boris Ivesha (President & Chief Executive Officer), Greg Hegarty (Co-Chief Executive Officer), Daniel Kos (Chief Financial Officer & Executive Director), Kevin McAuliffe (Non-Executive Deputy Chairman), Nigel Keen (Non-Executive Director & Senior Independent Director), Ken Bradley (Non-Executive Director), Stephanie Coxon (Non-Executive Director), Marcia Bakker (Non-Executive Director).
Capital expenditure	Purchases of property, plant and equipment, intangible assets, associate and joint venture investments, and other financial assets.
Company	PPHE Hotel Group Limited, a Guernsey incorporated Company listed on the Main Market of the London Stock Exchange plc.
Derivatives	Financial instruments used to reduce risk, the price of which is derived from an underlying asset, index or rate.
Direct channels	Methods of booking hotel rooms (both digital and voice) not involving third-party intermediaries.
Dividend per share	Proposed/approved dividend for the year divided by the weighted average number of outstanding shares after dilution at the end of the period.
Employee engagement survey	We ask our team members to participate in a survey to measure employee engagement.
EPRA (European Public Real Estate Association)	The EPRA reporting metrics analyse performance (value, profit and cash flow) given that we have full ownership of the majority of our properties.
EPS	Earnings per share.
EU	The European Union.
Euro/EUR €	The currency of the European Economic and Monetary Union.
Exceptional items	Items that are disclosed separately because of their size or nature.
Exchange rates	The exchange rates used were obtained from the local national banks' website.
FF&E	Furniture, fittings and equipment.
Franchise	A form of business organisation in which a company which already has a successful product or service (the franchisor) enters into a continuing contractual relationship with other businesses (franchisees) operating under the franchisor's trade name and usually with the franchisor's guidance, in exchange for a fee.
Franchisee	An owner who uses a brand under licence from PPHE Hotel Group.
Goodwill	The difference between the consideration given for a business and the total of the fair values of the separable assets and liabilities comprising that business.
GRS	Guest Rating Score is the online reputation score used by ReviewPro – an industry leader in guest intelligence solutions.
Guernsey	The Island of Guernsey.
Hotel revenue	Revenue from all revenue-generating activity undertaken by managed and owned and leased hotels, including room nights, food and beverage sales.
Income Units	Cash flows derived from the net income generated by rooms in Park Plaza Westminster Bridge London, which have been sold to private investors.
Like-for-like	Results achieved through operations that are comparable with the operations of the previous year. Current year's reported results are adjusted to have an equivalent comparison with previous years' results in the same period, with similar seasonality and the same set of hotels.
Like-for-like hotels including renovation	Like-for-like hotels plus hotels under renovation during the current and/or previous financial year compared.
LSE	London Stock Exchange. PPHE Hotel Group's shares are traded on the Premium Listing segment of the Official List of the UK Listing Authority.
Number of properties	Number of owned hotel properties at the end of the period.
Number of rooms	Number of rooms in owned hotel properties at the end of the period.
Online travel agent	Online companies whose websites permit consumers to book various travel related services directly over the Internet.
Park Plaza Hotel	One hotel from the Park Plaza® Hotels & Resorts brand.
Park Plaza® Hotels & Resorts	Upper upscale hotel brand. PPHE Hotel Group is master franchisee of the Park Plaza® Hotels & Resorts brand owned by Radisson Hotel Group. PPHE Hotel Group has the exclusive right to develop the brand across 56 countries in Europe, the Middle East and Africa. www.parkplaza.com
Pipeline	Hotels/rooms that will enter the PPHE Hotel Group system at a future date.
Pound Sterling/ GBP £	The currency of the United Kingdom.
PPHE Hotel Group	PPHE Hotel Group is also referred to as 'the Group' and is an international hospitality real estate group. Through its subsidiaries, jointly controlled entities and associates, the Group owns, co-owns, develops, leases, operates and franchises hospitality real estate. The Group's primary focus is full-service upscale, upper upscale and lifestyle hotels in major gateway cities and regional centres, as well as hotel, resort and campsite properties in select resort destinations.
Radisson Hotel Group	Created in early 2018, one of the largest hotel companies in the world. Hotel brands owned by Radisson Hotel Group are Radisson Collection™, Radisson Blu®, Radisson®, Radisson RED®, Radisson Individuals, Park Plaza®, Park Inn® by Radisson, Country Inn & Suites® by Radisson, and Prizeotel. The portfolio of Radisson Hotel Group includes more than 1,250 hotels in operation and under development, located in more than 95 countries and territories, operating under global hotel brands. Jin Jiang International Holdings is the majority shareholder of Radisson Hotel Group. www.radissonhotelgroup.com
Radisson Rewards™	The hotel rewards programme of Radisson Hotel Group, including Park Plaza® Hotels & Resorts and art'otel®. The programme is owned by Radisson Hotel Group. Gold Points® is the name of the currency earned through the Radisson Rewards™ programme. www.radissonrewards.com
Responsible Business	PPHE Hotel Group's Responsible Business strategy is a genuine, active and responsible commitment to our environment and society.
Room count	Number of rooms franchised, managed, owned or leased by PPHE Hotel Group.
Subsidiary	A company over which the Group exercises control.

Weighted average number of shares outstanding during the year	The weighted average number of outstanding shares taking into account changes in the number of shares outstanding during the year.
Working capital	The sum of inventories, receivables and payables of a trading nature, excluding financing and taxation items.

Alternative Performance Measures

In order to aid stakeholders and investors in analysing the Group's performance and understanding the value of its assets and earnings from a property perspective, the Group have disclosed the following Alternative Performance Measures which are commonly used in the Real Estate and the Hospitality sectors.

EBIT	Earnings before interest (Financial income and expenses), tax, share in results of joint ventures and exceptional items presented as other income and expense.
EBITDA	Earnings before interest (Financial income and expenses), tax, depreciation and amortisation, impairment loss, share in results of joint ventures and exceptional items presented as other income and expense.
EBITDA margin	EBITDA divided by total revenue.
EBITDAR	Earnings before interest (Financial income and expenses), tax, depreciation and amortisation, impairment loss, rental expenses, share in results of joint ventures and exceptional items presented as other income and expense.
Earnings (loss) per share	Basic earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.
Basic earnings per ordinary share	Profit available for PPHE Hotel Group equity holders divided by the weighted average number of ordinary shares in issue during the year.
Adjusted EPRA earnings	EPRA earnings with the Company's specific adjustments. The main adjustments include removal of unusual or onetime influences which are not part of the Group's regular operations and adding back the reported depreciation charge, which is based on assets at historical cost, and replacing it with a charge calculated as 4% of the Group's total revenues, representing the Group's expected average cost to upkeep the real estate in good quality.
Adjusted EPRA earnings per share	Adjusted EPRA earnings divided by the weighted average number of ordinary shares outstanding during the year.
EPRA earnings	Shareholders' earnings from operational activities adjusted to remove changes in fair value of financial instruments and reported depreciation.
EPRA earnings per share	EPRA earnings divided by the weighted average number of ordinary shares outstanding during the year.
EPRA Net Asset Value (EPRA NAV)	Recognised equity, attributable to the parent company's shareholders, including reversal of derivatives, deferred tax asset for derivatives, deferred tax liabilities related to the properties and revaluation of operating properties.
EPRA Net Re-instatement Value (EPRA NRV)	Recognised equity, attributable to the parent company's shareholders on a fully diluted basis adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model (deferred tax on timing differences and financial instruments).
EPRA Net Re-instatement Value (EPRA NRV) per share	EPRA NRV divided by the fully diluted number of shares at the end of the period.
EPRA Net Disposal Value (EPRA NDV)	Recognised equity, attributable to the parent company's shareholders on a fully diluted basis adjusted to include properties, other investment interests, deferred tax, financial instruments and fixed interest rate debt at disposal value.
EPRA Net Disposal Value (EPRA NDV) per share	EPRA NDV divided by the fully diluted number of shares at the end of the period.
EPRA Net Tangible Assets (EPRA NTA)	Recognised equity, attributable to the parent company's shareholders on a fully diluted basis adjusted to include properties and other investment interests at fair value and to exclude intangible assets and certain items not expected to crystallise based on the Company's expectations for investment property disposals in the future.
EPRA Net Tangible Assets (EPRA NTA) per share	EPRA NTA divided by the fully diluted number of shares at the end of the period.
EPRA LTV	Net debt based on proportionate consolidation divided by the sum of the market value of the properties and the net working capital and excluding certain items not expected to crystallise in a long-term investment property business model (deferred tax on timing differences and financial instruments) based on proportionate consolidation.
Gearing Ratio	Net bank debt divided by the sum of total equity excluding hedging reserve and net bank debt.
Debt Service Coverage Ratio (DSCR)	EBITDA, less net expenses for financial liability in respect of Income Units sold to private investors and lease payments, divided by the sum of interest on bank loans and yearly bank loans redemption.
Interest Cover Ratio (ICR)	EBITDA, less net expenses for financial liability in respect of Income Units sold to private investors and lease payments, divided by interest on bank loans.
Loan-to-value ratio (LTV)	Interest-bearing liabilities after deducting cash and cash equivalents as a percentage of the properties' market value at the end of the period.
Market share	The amount of total sales of an item or group of products by a company in a particular market. It is often shown as a percentage, and is a good indicator of performance compared to competitors in the same market sector.
Net debt	Borrowings less cash and cash equivalents long-term and short-term restricted cash.
Normalised profit before tax	Profit before tax adjusted to remove unusual or onetime influences which are not part of the Group's regular operations.
Occupancy	Total occupied rooms divided by net available rooms or RevPAR divided by ARR.
Average room rate (ARR)	Total room revenue divided by the number of rooms sold.
RevPAR	Revenue per available room. Total rooms revenue divided by net available rooms or ARR x occupancy %.

Contacts

Directors

Eli Papouchado	(Non-Executive Chairman)
Yoav Papouchado	(Alternate Director)
Boris Ivesha	(President & Chief Executive Officer)
Greg Hegarty	(Co-Chief Executive Officer)
Daniel Kos	(Chief Financial Officer & Executive Director)
Ken Bradley	(Non-Executive Deputy Chairman)
Nigel Keen	(Non-Executive Director & Senior Independent Director)
Stephanie Coxon	(Non-Executive Director)
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For reservations

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parkplaza.com
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arenahotels.com
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Forward-looking statements
This document may contain certain "forward-looking statements" which reflect the Company's and/or the Directors' current views with respect to financial performance, business strategy and future plans, both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward-looking nature. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. Any forward-looking statements in this document reflect the Group's current views with respect to future events and are subject to risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy. These forward-looking statements speak only as of the date on which they are made. Subject to any legal or regulatory obligations, the Company undertakes no obligation publicly to update or review or revise any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Nothing in this document should be considered as a profit forecast.

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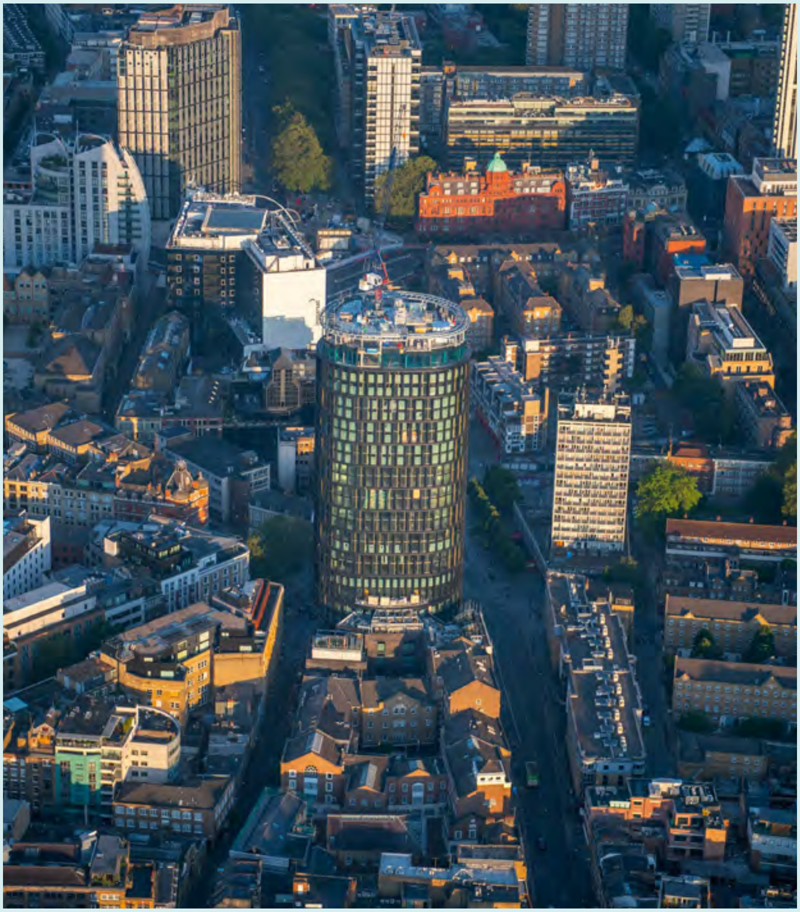

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