Financial review

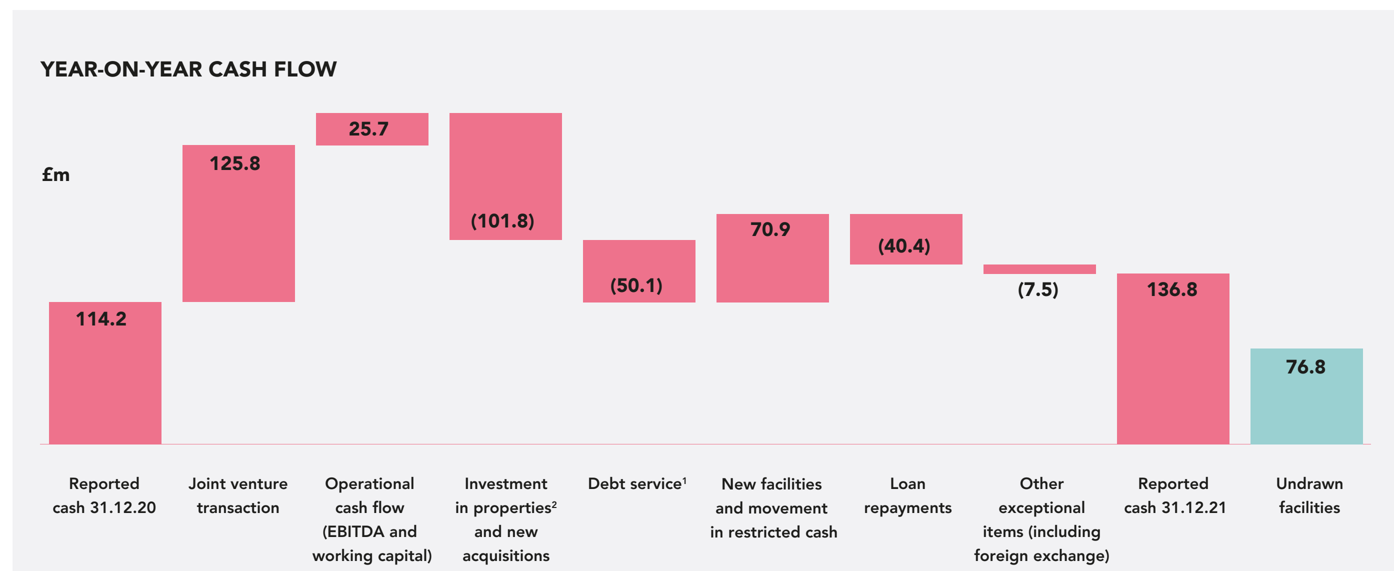
Daniel Kos
Chief Financial Officer & Executive Director

Pipeline growth and a solid financial position

FINANCIAL RESULTS

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

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



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

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

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

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

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

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

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

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

Financial review
continued

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

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

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

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

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

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

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

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

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

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

Depreciation excluding impairment in the year was £38.9 million (2020: £41.3 million). Depreciation is recorded in accordance with IFRS, nevertheless internally we consider our ongoing average capital expenditure (CAPEX) over the lifespan of our hotels as a more relevant measure in determining profit, which in the hospitality industry is calculated as approximately 4% of total revenue. Our EPRA earnings number set out on page 52 is calculated using the 4% rate instead of the reported non-cash depreciation charge.

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

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

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

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

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

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

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

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

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

Real estate performance valuations
As a developer, owner and operator of hotels, resorts and campsites, the Group has a real estate driven business model. Returns are generated by both developing the assets we own and operating our properties to their full potential, thus driving increased value for all stakeholders. Certain EPRA performance measurements are disclosed to aid investors in analysing the Group's performance and understanding the value of its assets and earnings from a property perspective.

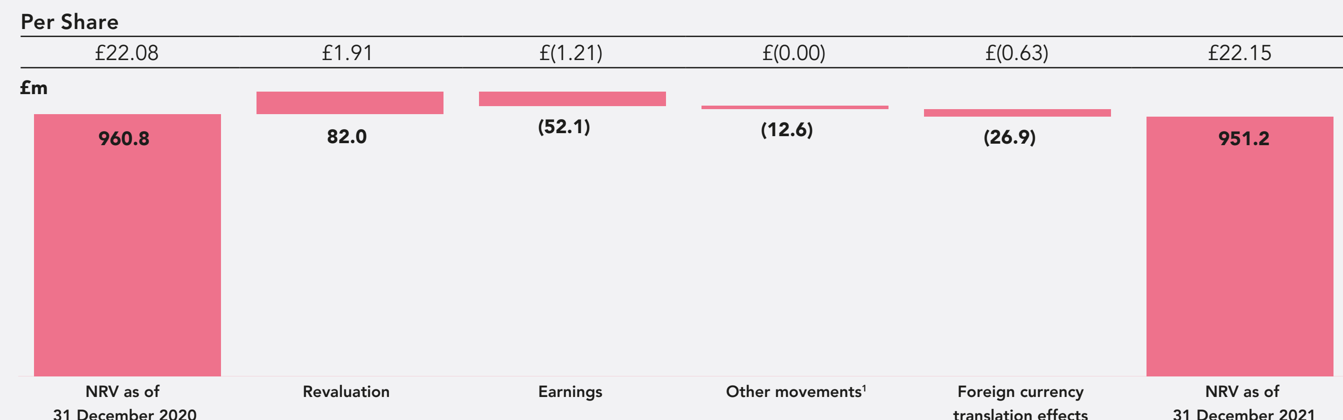
Financial review
continued

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

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

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

REAL ESTATE PERFORMANCE



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

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

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

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

Financial review
continued

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

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

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

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

Cash flow and EPRA earnings

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

Group's quarterly cash flow for 2021

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

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

Financial review
continued

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

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

Reconciliation of reported earnings to adjusted EPRA earnings

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

1 The 'Company-specific adjustments' represent adjustments of non-recurring or non-trading items.
2 Calculated as 4% of revenues, which represents the expected average maintenance capital expenditure required in the operating properties.
3 Non-controlling interests include the non-controlling shareholders in Arena, third-party investors in income units of Park Plaza Westminster Bridge London and the non-controlling shareholders in the partnership with Clal that was entered into in June 2021.
4 Non cash revaluation of finance lease liability relating to minimum future CPI/RPI increases.
5 Lease cash payments which are not recorded as an expense in the Group's income statement due to the implementation of IFRS 16.
6 Relates to a settlement reached in a legal dispute in Croatia (see Note 25a in the annual consolidated financial statements).
7 Execution of the sale and purchase agreement with the Republic of Croatia related to Guest House Riviera Pula (see Note 5d in the annual consolidated financial statements).
8 Mainly relates to deferred tax asset recorded in 2021 and investment tax credit received in Croatia in 2020. (see Note 27f in the annual consolidated financial statements)
9 Mainly relates to profit and loss on disposal of property, plant and equipment
10 Net insurance proceeds received in relation to one of the Group's UK hotels.
11 Reported depreciation excluding impairments.
12 Business combination acquisition costs (see Note 3a and 3b in the annual consolidated financial statements).
13 Loan early repayment break costs (see note 15b in the annual consolidated financial statements).

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

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

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

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

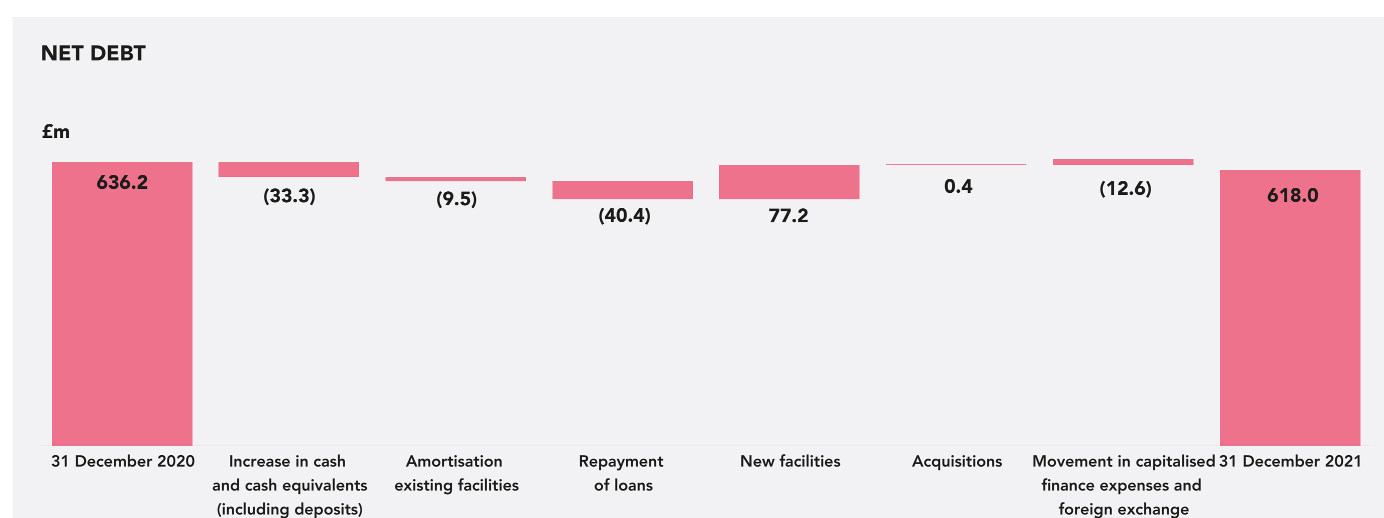
The Group's total assets (properties at fair value) represent a value after the deduction of lease liabilities and unit holder liabilities. Accordingly, in the total loan-to-value (LTV) analysis of the Group, management considers the value of the freehold and long leasehold assets (net of these liabilities)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

Financial review
continued

Net debt leverage reconciliation

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

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



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

Loan maturity profile at 31 December 2021 (£m)

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

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

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

Financial review
continued

Cover ratios

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

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

Other

Long-term partnership with Clal Insurance (Clal)

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

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

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

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

Dividend

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

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

Daniel Kos
Chief Financial Officer & Executive Director

Park Plaza Westminster Bridge London