PARK PLAZA | HOTELS

Admission to the Official List

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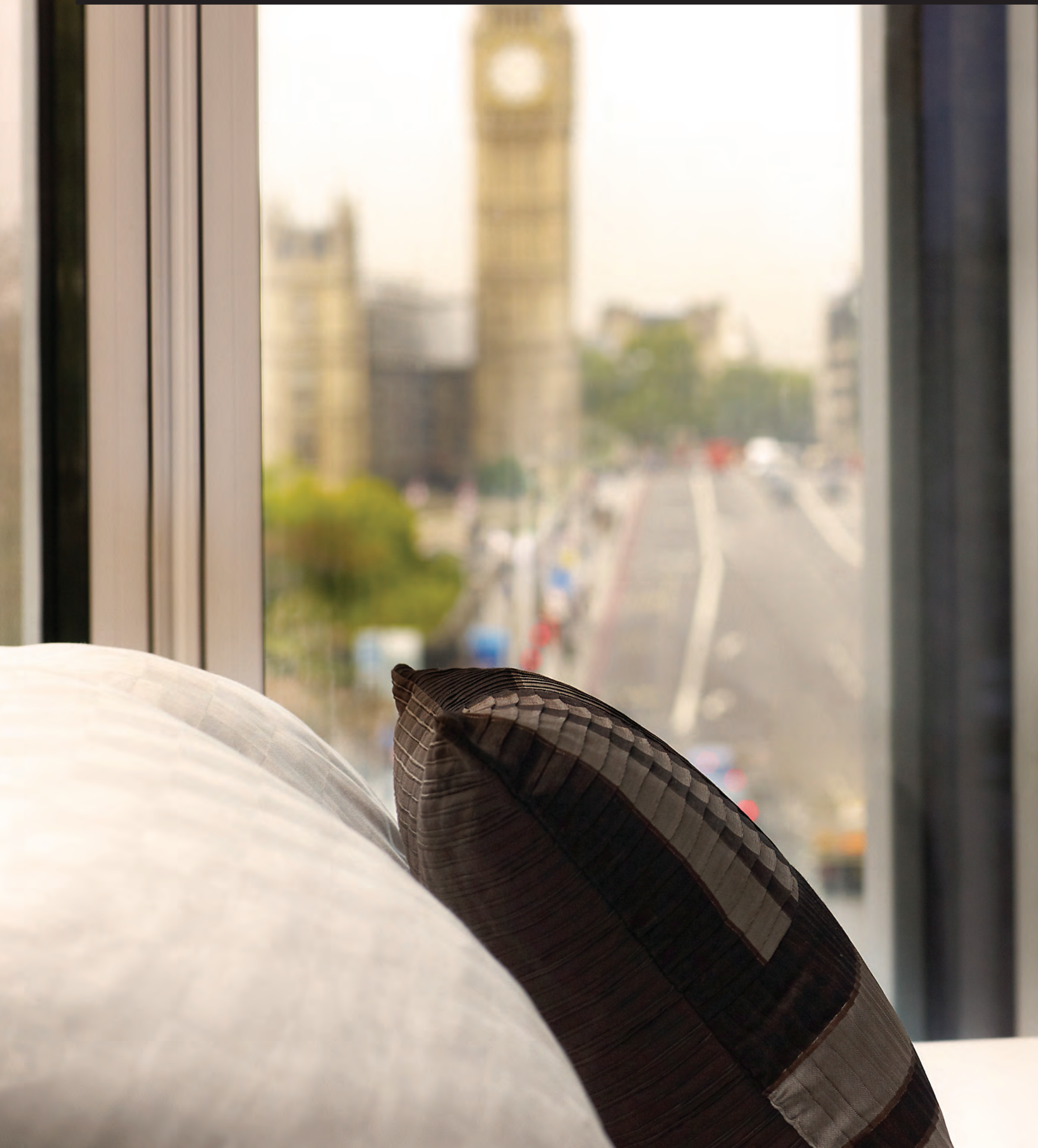
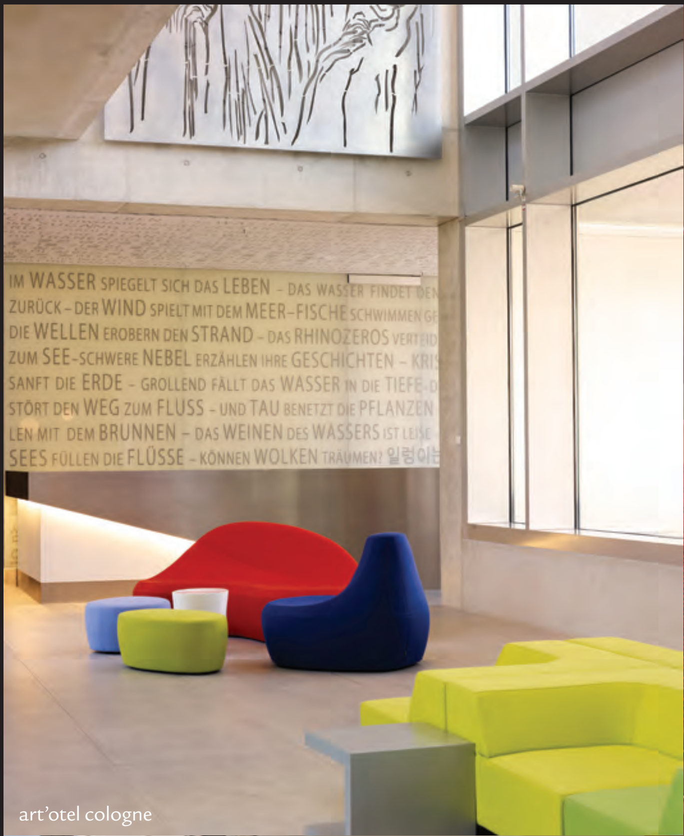
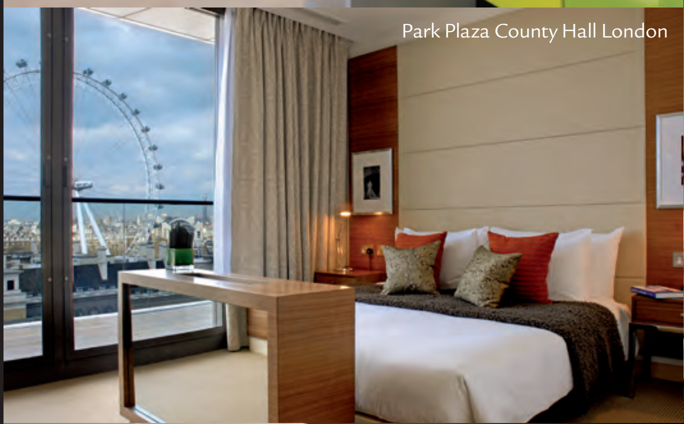


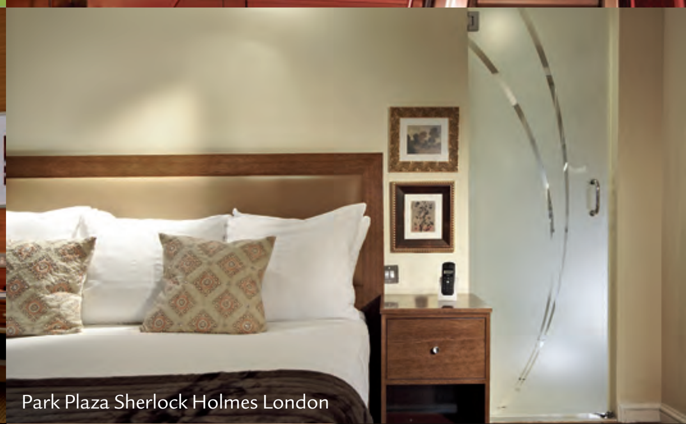


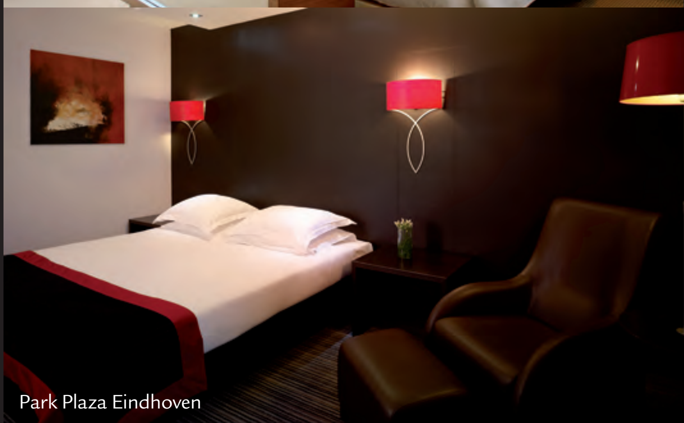
art'otel cologne

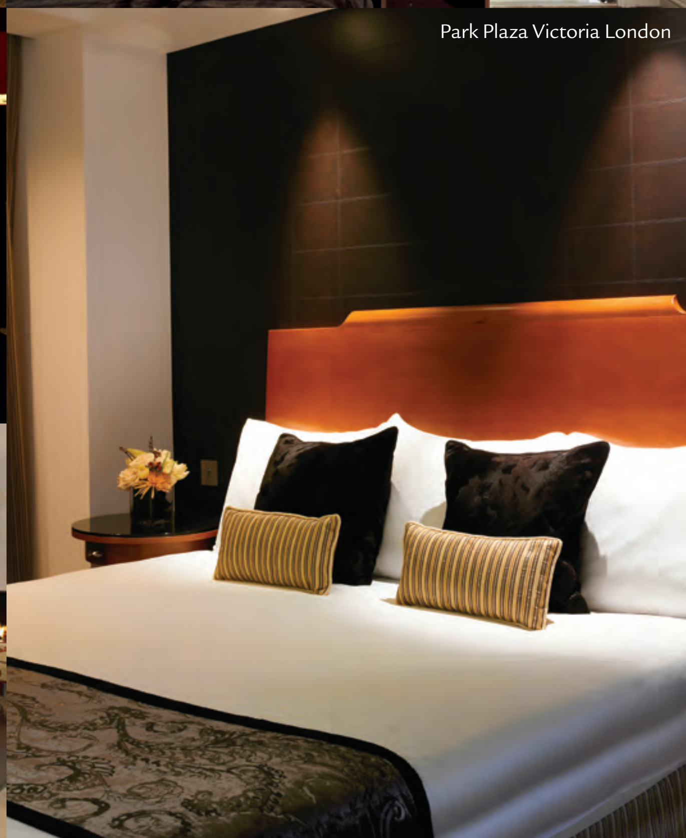

Park Plaza Vondelpark, Amsterdam

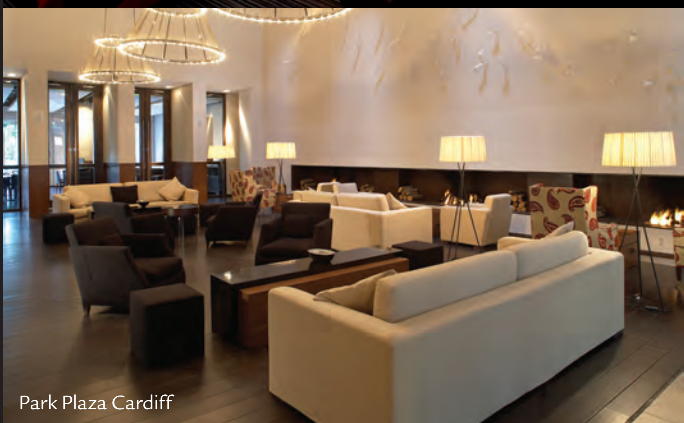

Park Plaza Westminster Bridge London


Park Plaza County Hall London


Park Plaza Sherlock Holmes London


Park Plaza Eindhoven


Park Plaza Victoria London


Park Plaza Cardiff

This document comprises a prospectus relating to Park Plaza Hotels Limited (the "Company") and has been prepared in accordance with the Prospectus Rules of the Financial Services Authority ("FSA") made under section 73A of the Financial Services and Markets Act 2000, as amended ("FSMA") and approved by the FSA as a prospectus under section 87A of FSMA and made available to the public in accordance with paragraph 3.2 of the Prospectus Rules.

Application has been made to the FSA and to London Stock Exchange plc (the "London Stock Exchange") respectively for all the issued ordinary shares of nil par value each in the capital of the Company (the "Shares") to be admitted: to the standard listing segment of the Official List of the UK Listing Authority (the "Official List"); and to trading on the London Stock Exchange's main market for listed securities (together "Admission"). No application has been, or is currently intended to be, made for the Shares to be admitted to listing or dealt with on any other stock exchange. It is expected that Admission will become effective, and that dealings in the Shares will commence, on the London Stock Exchange at 8.00 a.m. (London time) on 30 June 2011. The Shares are currently admitted to trading on AIM. Trading of the Shares on AIM will be cancelled on Admission.

This document has been prepared solely in respect of Admission and no Shares or other securities are being offered for subscription or sale in any jurisdiction pursuant to this document. This document is being made publicly available for information purposes only and does not require any action to be taken by Shareholders. This document does not constitute an offer or invitation to any person to subscribe for or purchase Shares or any other securities in the Company.

The Company and its Directors, whose names appear on page 21 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors, who have each taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

Prospective investors should read the entire document and, in particular, the section headed "Risk factors" set out on pages 7 to 19 of this document.

PARK PLAZA HOTELS LIMITED

(Incorporated and registered in Guernsey with company registration number 47131)

Admission to the standard listing segment of the Official List and to trading on the main market of the London Stock Exchange of 42,677,292 ordinary shares of nil par value

Financial Adviser and Broker

Investec

Investec Investment Banking, a division of Investec Bank plc ("Investec"), which is authorised and regulated in the United Kingdom by the FSA, is acting for the Company and no-one else in connection with Admission and will not regard any other person as its client or be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to Admission or any transaction or arrangement referred to in this document.

Investec does not take, and hereby excludes, any responsibility for the contents of this document pursuant to sections 79(3) or 90 of FSMA and has not authorised the contents of this document under Rule 5.5 of the Prospectus Rules. Nothing in this paragraph shall serve to exclude or limit any responsibilities which Investec may have under FSMA or the regulatory regime established thereunder. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws or the laws of any jurisdictions.

The Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or under any securities laws of any state of the United States and may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any other federal or state securities commission in the United States or any other United States regulatory authority, nor have any such authorities passed upon or endorsed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The date of this document is 24 June 2011.

CONTENTS

SUMMARY

This summary should be read as an introduction only to this document and any decision to invest in the Company should be based on consideration of this document as a whole by the investor and not solely on this summarised information. Investors should note that if a claim relating to the information contained in this document is brought by an investor before a court, the investor bringing the claim might, under the national legislation of the relevant EEA State, have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of this document.

Introduction

The Group's main activities are owning (and in some cases, developing), leasing, operating and franchising full service four-star, four-star deluxe and lifestyle hotels in major gateway cities and regional centres, primarily in Europe. The majority of the Group's hotels operate under one of two distinct brands, "Park Plaza Hotels & Resorts" or "art'otel".

The Group's portfolio of owned, leased, operated and franchised hotels comprises 38 hotels offering a total of 8,315 rooms. Of these, 2,868 rooms are in properties owned by the Arenaturist Group, one of Croatia's leading hospitality groups, in which the Group has a minority interest. The Group is working on projects relating to three new hotels and an extension to an existing hotel which, together, are expected to add a further 693 rooms to the portfolio by the end of 2013.

Reasons for the move to a standard listing on the Official List and the main market for listed securities of the London Stock Exchange

Following the acquisitions made by the Group in recent years, the Directors believe that its position as an established and growing hotel owner/operator should now be reflected in the market on which the Shares are traded. Following a move to the standard listing segment of the Official List and the main market for listed securities of the London Stock Exchange, the Directors believe the liquidity in the Shares should be improved and its profile raised both domestically and internationally. The Directors believe that this improvement in liquidity and higher profile will give rise to greater funding opportunities for the Group in the future.

The Group's main activities

The Group is a hotel owner and brand operator. Unlike many of its competitors, which tend either to operate or own hotels, the Group operates most of the hotels in its portfolio while also having a variety of ownership interests, including freeholds, long leaseholds and operating leases. The Group's long-term exclusive licence in the EMEA region for the Park Plaza Hotels & Resorts brand and worldwide ownership of the art'otel brand allow it to leverage a wide range of opportunities to expand its brands and portfolio.

Key strengths

The Directors consider the following to be the Group's key strengths:

- high quality portfolio with an attractive geographical spread;
- two distinct brands which the Directors believe have significant upside potential;
- integrated approach of hotel and brand ownership and operation;
- powerful distribution network through the Group's partnership with Carlson; and
- focus on the expanding affordable luxury market segment.

Objective and strategy

The Group's objective is to become one of the leading hotel owner/operators in the full service four-star, four-star deluxe and lifestyle hotel markets in certain key European markets. It intends to use its established portfolio and network to expand the number of hotels and brands in its portfolio, increase profitability through revenue growth and cost management and utilise the Carlson partnership as the driver to market the Group's business and further grow revenues.

Directors

The Board comprises two Executive Directors and four Non-Executive Directors as follows:

Eli Papouchado	(*Non-Executive Chairman*)
Boris Ivesha	(*President and Chief Executive Officer*)
Chen Moravsky	(*Chief Financial Officer*)
Elisha Flax	(*Non-Executive Director*)
Nigel Jones	(*Non-Executive Director*)
Kevin McAuliffe	(*Non-Executive Director*)

Current trading and prospects[(1)]

Trading conditions have continued to improve across all markets in which the Group operates and the Group has continued to trade in line with the Board's expectations in the five months to 31 May 2011.

Group RevPAR in the first five months of 2011 increased by 12.0 per cent. to €86.4 (first five months of 2010: €77.1), primarily reflecting a 11.3 per cent. improvement in average room rates compared to the same period last year. Like-for-like[(2)] RevPAR during the first five months of 2011 improved by 21.0 per cent. to €93.3 (first five months of 2010: €77.1).

In the United Kingdom, RevPAR has grown significantly during the first five months of the year compared to the same period in 2010. In the United Kingdom, RevPAR during this period was €111.2 (first five months of 2010: €99.7) an increase of 11.5 per cent. and on a like-for-like basis RevPAR increased by 27.3 per cent. to €126.9 (first five months of 2010: €99.7). Notably, the Group's London hotels reported a strong increase in average room rates and the Group is now seeing the benefit of the fully operational Park Plaza Westminster Bridge London. EBITDA of the UK hotels during the first five months of 2011 has also increased mainly due to the effect of Park Plaza Westminster Bridge London and the increased ownership interests in Park Plaza Victoria London, Park Plaza Sherlock Holmes London and Park Plaza Riverbank London (including Plaza on the River) which is now 100 per cent..

In The Netherlands, RevPAR has also increased during the first five months of the year compared to the same period in 2010, a result of improved average room rates for all the Group's hotels in that country. In The Netherlands, RevPAR during the first five months of 2011 was €76.7 compared to €67.3 for the same period last year an increase of 14.0 per cent. and on a like-for-like basis RevPAR increased by 43.8 per cent. to €96.8 (first five months of 2010: €67.3). EBITDA of the Group's Dutch hotels declined slightly due to fewer rooms being available at Park Plaza Victoria Amsterdam and Park Plaza Eindhoven as a result of extensive renovations in the first quarter. The majority of these rooms not in operation during the renovations are now open and the Board is confident that the Group will benefit from these improved hotels.

In Germany and Hungary, RevPAR at the Group's hotels improved during the first five months of the year compared to the same period in 2010. In Germany and Hungary, RevPAR was €47.5 compared to €41.9 an increase of 13.4 per cent. and on a like-for-like basis RevPAR was €46.8 compared to €41.9 in the first five months of 2010. This is a particularly good performance considering that last year's RevPAR performance in Germany was supported by the reduced rate of VAT. The growth in RevPAR is a result of increased average room rates and has been further improved as a result of the opening of the art'otel cologne in March 2010. EBITDA loss of the Group's German hotels during the first five months of 2011 decreased compared to the same period in 2010 as the Group started to benefit from renegotiated lease agreements and improved trading.

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(1) Based on an exchange rate of 0.8716 Euros to the Pound.

(2) Like-for-like RevPAR for the first five months of 2011 includes only trading information relating to hotels owned and operated by the Group during the equivalent period in 2010. It therefore excludes trading information relating to:

(a) Park Plaza Nottingham and Park Plaza Leeds entirely;

(b) Park Plaza Westminster Bridge London for the first two months of 2011;

(c) Park Plaza Amsterdam Airport for the first four months of 2011; and

(d) art'otel cologne for the first two months of 2011.

The Group's management and holdings operation have performed in line with Board expectations. Looking forward, the Group remains focused on continuing to improve overall performance, fundamentally by growing average room rates and maintaining careful cost control.

Selected financial information

The financial information contained in this paragraph has been extracted without material adjustment from the Group's audited report and accounts for the three years ended 31 December 2010. A summary of the results over that period is set out below. Investors should read the whole document and not rely solely on the key or summarised information.

	Year ended 31 December Audited		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Consolidated statement of operations			
Revenues	139,829	80,326	93,385
EBITDAR	46,447	26,144	35,857
EBITDA	37,633	16,244	25,433
Net profit/(loss) for the year after tax	61,903	(7,449)	7,861
Consolidated balance sheet			
Total assets	935,305	731,871	612,595
Consolidated statement of cash flows			
Cash flows from/(used in) operating activities	15,151	(84,653)	(75,133)

Dividend policy

The Company has not paid any dividends since its incorporation but, subject to compliance with Guernsey law and the retention of proper and prudent reserves by the Company, the Board intends to recommend the payment of an annual dividend of at least 3p per Share commencing in 2012 assuming no change to the issued share capital of the Company.

Risk factors

Risks relating to the Group's business

- A number of the Group's hotels are jointly owned with Elbit and strategic decisions in relation to such hotels require the agreement of Elbit.
- The Group may be unable to extend or renew on acceptable terms the operating leases under which it operates certain of its hotels in Germany and Hungary.
- The Group may be unable to extend or renew on acceptable terms its four franchise agreements.
- The Group's business, financial condition and results of operations could be affected by the performance of, reputation of and developments affecting the third-party hotel operators that operate under franchise agreements.
- The Group only holds a minority stake in the Arenaturist Group in Croatia and has no ownership interest in Park Plaza County Hall London, which may limit the degree of influence it has over key decisions in relation to such properties.
- The Group is reliant on its relationship with Carlson; in the unlikely event that this relationship was to end or be damaged, it would have a highly material adverse effect on the Group's business, financial condition and results of operations.
- The Group's operating results depend on the reputation and awareness of the brands it operates under.
- There are various risks associated with the Group's ownership of the art'otel trademarks and its licence of the Park Plaza Hotels & Resorts trademarks.

- The Group does not own the original artwork displayed in its art'otel branded hotels; were the Group to return such artwork, there is no guarantee that it could replace it with original artwork of a similar standard which could adversely affect the relevant hotel's attractiveness.
- The Group's key senior personnel and management have been and remain material to its business; if one or more of them were unable or unwilling to continue in their present position, the Group might not be able to replace them easily.
- The Group may face decreased demand for its current locations or hotels.
- The Group's results of operations are affected by foreign exchange fluctuations.
- A significant portion of the Group's operating expenses are fixed, which may impede the Group from reacting quickly to changes in its revenue.
- The Group may face industrial disputes or other disruptions that could interfere with its operations.
- The Group is exposed to certain risks in relation to information technology and systems. Any material disruption or slowdown of such systems could cause valuable information to be lost or operations to be delayed and any unauthorised access to such systems may lead to misuse of information.
- The Group's insurance policies may not be adequate or comprehensive.

Risks relating to the Group's properties and operations

- The value of the Group's property portfolio may fluctuate as a result of factors outside the Group's control.
- Real estate investments are relatively illiquid.
- Property valuations are uncertain and there can be no assurance that the estimates resulting from the valuation process will reflect actual sale prices that could be realised in the future.
- The Group has guaranteed owners of units in Park Plaza Westminster Bridge London a 5 or 6 per cent. annual return (with the exception of two units in respect of which the guaranteed annual return is less than 5 per cent.) on their investment for five years.

Risks relating to the hotel industry

- The Group is subject to certain risks common to the hotel industry some of which are beyond its control including, a downturn in international market conditions, the demand for leisure and business travel, increased competition and changes in travel patterns.
- Acts of terrorism have adversely affected the hotel industry generally, and these adverse effects may continue or worsen.
- The Group is exposed to the risk of events that adversely impact domestic or international travel.
- The Group is exposed to the risk of litigation from its guests, customers, actual and potential partners, suppliers, employees, regulatory authorities, franchisees and/or the owners of hotels leased or operated by the Group.
- The Group may not be able to increase or maintain the number of its properties operated by its franchisees or pursuant to its management contracts.
- The Group is reliant on licences in order to carry on certain of its activities.
- Environmental and/or health and safety compliance costs and liabilities may have a material adverse effect on the Group's financial condition and operations.

Risks relating to the Group's borrowings

- The Group's borrowings could have a significant impact on the Group's business, financial condition and/or results of operations.
- Failure to satisfy obligations under any current or future financing arrangements could give rise to default risk and require the Group to re-finance its borrowings.

- The Group has borrowed and may borrow to fund its future growth. Any delay in obtaining or failure to obtain suitable or adequate financing may impair the Group's ability to expand its hotel portfolio.

Risks relating to the Shares

- The Company's two largest Shareholders, Euro Plaza and Molteno have substantial control over the Company.
- The Shares are expected to be admitted to a standard listing on the Official List and as a consequence the additional ongoing requirements and protections applicable to a premium listing under the Listing Rules will not apply to the Company.
- Active trading in the Shares may not develop.
- The price of the Shares may be volatile.
- The sale of a substantial number of the Shares, or the perception that such sales could occur, could adversely affect the price of the Shares.
- If the Company is wound up, distributions to Shareholders will be subordinated to the claims of creditors.
- The Company may be unable to pay dividends.
- The future market price may not reflect the net asset value of the Group.

Risks relating to the taxation of the Group

- Changes in tax laws or their interpretation could adversely affect the Group's profitability and financial condition and therefore the level of dividends the Company is able to pay.
- Changes to the tax residence of the Company and other members of the Group could adversely affect the Company's financial and operating results.

RISK FACTORS

Potential investors should carefully consider the risks described below, in light of the information in this document and their personal circumstances, before making any decision to invest in the Company. An investment in the Company may not be suitable for all persons reading this document. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. If any of the events or circumstances described should actually occur, the Company's business, financial condition and results of operations could be materially affected. In such circumstances, the market price of the Shares may fall and investors could lose all or part of their investment.

A potential investor who is in any doubt about the action it should take, should consult a professional adviser who specialises in advising on the acquisition of shares and other securities. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company.

Prospective investors should be aware that the value of the Shares may decrease, that Shares may not generate income and that they may not realise their initial investment.

1. Risks relating to the Group's business

A number of the Group's hotels are jointly owned with Elbit and strategic decisions in relation to such hotels require the agreement of Elbit.

The entities which own Park Plaza Victoria Amsterdam, Park Plaza Amsterdam Airport, Park Plaza Utrecht and the art'otel amsterdam project are jointly owned with Elbit (the "Jointly Owned Entities"). While all of such hotels are or will be operated by the Group, a number of strategic decisions, such as a decision to sell the hotel or to make a major investment in such hotel over and above the agreed rates of financing, would require the agreement of Elbit; similarly, the payment of dividends by a Jointly Owned Entity requires the agreement of Elbit. If the Group wished to sell its stake in any of the Jointly Owned Entities, it would have to comply with certain provisions in joint venture agreements relating to, and/or the constitutional documents of, the Jointly Owned Entities giving Elbit rights of first refusal; the Group would have similar rights were Elbit to wish to sell its stake.

Although the Group has a longstanding relationship with Elbit, there is no guarantee that Elbit will agree with the Group's management in relation to the kind of strategic decisions mentioned above. If Elbit did not agree with the Group on a strategic decision, it could block that decision, resulting in a deadlock situation which would delay or ultimately prevent the relevant action by the Group. Were such events to arise or were there to be any delay in the taking of a strategic decision, this might have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be unable to extend or renew on acceptable terms the operating leases under which it operates certain of its hotels.

The properties from which the Group's seven hotels in Germany and the art'otel budapest are operated are all the subject of operating leases. Such leases are generally for periods of 15 to 25 years, with the expiry dates being between 2018 and 2031. All but one of these leases have an option to extend for five years if both parties agree.

If the Group was unable to extend or renew any or all of its operating leases after the relevant expiry date, this could have an adverse effect on the Group's business, financial condition and results of operations.

The Group may be unable to extend or renew on acceptable terms certain of its franchise agreements.

Four of the Group's hotels are operated pursuant to franchise agreements which typically run for periods of five to ten years (subject in one case to automatic renewal provisions). Two of these agreements include early termination provisions allowing the franchisee to renegotiate or terminate the agreement prior to the end of the term. The terms of these agreements are influenced by terms offered by the Group's competitors at the time such agreements are entered into. Accordingly, the Group may not be able to renew hotel contracts on acceptable terms when they expire or fall to be renegotiated or on terms that are as favourable to the Group as those under the existing agreements. If the Group were to lose any or all of the franchised hotels, it could have an adverse effect on the Group's business, financial condition and results of operations.

The Group's business, financial condition and results of operations could be affected by the performance of, reputation of and developments affecting the third-party hotel operators that operate under franchise agreements.

As mentioned above, four of the Group's hotels are operated by third-party companies pursuant to franchise agreements. The Group's business, financial condition and results of operations could be affected by these companies' performance under the franchise agreements, as well as the reputation of and developments affecting these companies and hotels.

Although the Group monitors its franchisees' performance, the Group does not have the direct authority to require a hotel to be operated in a particular manner or to govern any particular aspect of the daily operations of any hotel (for instance, setting room rates or managing certain personnel). The Group has limited ability to affect how these hotels are managed or to change the method of operation of the hotels in the event of sub-standard operation.

In addition, adverse publicity or other adverse developments that may affect these companies and hotels generally may result in a material adverse effect on the Group's reputation and therefore its business, financial condition and results of operations.

The Group only holds a minority stake in the Arenaturist Group and has no ownership interest in Park Plaza County Hall London

The Group only has a 20 per cent. stake in Bora, the holding company of the Arenaturist Group and has no ownership interest in Park Plaza County Hall London. The Group has operational control over the properties owned by the Arenaturist Group and Park Plaza County Hall London by virtue of the management agreements it has entered into with the relevant owners. However, the degree of influence it has over key decisions in relation to such properties (such as whether or not to carry out renovations and/or make other investments) is much lower than were it to own or jointly control such properties. As a result, there can be no assurance the properties owned by the Arenaturist Group or Park Plaza County Hall London will meet the same standards as the hotels in which the Group has a greater ownership interest. These factors could have a material adverse effect on the Group's plans for future growth and, as a result, its business, financial condition and results of operation.

In addition, adverse publicity or other adverse developments that may affect the Arenaturist Group and its properties generally and/or Park Plaza County Hall London may have a material adverse effect on the Group's reputation and therefore its business, financial condition and results of operations.

The Group is reliant on its relationship with Carlson.

The Group relies to a significant extent on its relationship with Carlson. The Group's rights to the Park Plaza Hotels & Resorts brand stems from a Territorial Licence Agreement with Carlson pursuant to which the Group has the exclusive right to use (and to sub-licence others to use) the Park Plaza Hotels & Resorts trademark in 56 countries in Europe and the MENA region (for further details see section 4 of Part I of this document headed "The Group's brands and intellectual property rights"). This agreement also allows the Group to use Carlson's Central Reservations System which, during 2010 accounted for approximately 40 per cent. of the Group's room revenues (for further details see section 6 of Part I of this document headed "Sales, marketing and public relations — Carlson Central Reservation System"). The licence granted under the Territorial Licence Agreement is perpetual (or for the maximum period allowed by the laws of the relevant jurisdiction) and the Territorial Licence Agreement can only be terminated by Carlson in very limited circumstances where, pursuant to agreed arbitration procedures, it has been determined that the Group has suffered an event of default which remains uncured beyond any applicable cure period (for further details see section 11.2 of Part VII of this document headed "Material contracts — The Territorial Licence Agreement"). Furthermore, the Board regards the relationship with Carlson as strong and has no cause for concern regarding that relationship. However, if in the unlikely event that the relationship with Carlson was to end or be damaged, it would have a highly material adverse effect on the Group's business, financial condition and results of operations.

The Group's operating results depend on the reputation and awareness of the brands it operates under.

The Group believes that brand awareness, image and loyalty are critical to its ability to achieve and maintain high average occupancy and room rates and also for its growth/expansion plans. The reputation and awareness of the Group's brands are affected by a number of factors, including factors outside the Group's control such as changes in customer preferences and customer perception. An event that materially damages the reputation or awareness of either of the Group's brands and/or a material failure to sustain the appeal of either brand to the Group's customers would have a material adverse effect on the value of those brands and subsequent revenues therefrom.

The Group does not own any of the trademarks relating to the Park Plaza Hotels & Resorts brand. The Group relies on Carlson to maintain and protect such trademarks against infringement or misappropriation and any failure by Carlson to do so as a result of which the reputation of the brands suffered, could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, although the Park Plaza Hotels & Resorts brand does have trademark protection in each country in which the Group currently uses that brand, not every country covered by the Territorial Licence Agreement has such protection. Accordingly, were the Group to seek to open hotels in certain of the markets covered by the Territorial Licence Agreement, it may face legal challenges to the brand in those markets. Further, as the Group does not have a licence to use the Park Plaza Hotels & Resorts brand outside the countries covered by the Territorial Licence Agreement, the Group cannot control the standard of the hotels operating under the Park Plaza Hotels & Resorts brand in those countries. Any failure on the part of the operator of Park Plaza Hotels & Resorts (or similarly branded) hotels in those countries to maintain a high standard at those hotels could adversely affect the reputation of the Park Plaza Hotels & Resorts brand in the countries in which the Group currently uses that brand or intends to expand.

Furthermore, although the Group does have trademark protection in each country in which the Group currently operates under the art'otel brand, not every country in which the Group may seek to open art'otel branded hotels in the future has such protection. Accordingly, were the Group to seek to open hotels under the art'otel brand in such markets, it may face legal challenges to the brand in those markets. The Group has granted an exclusive and perpetual licence to CCS, a company controlled by the family of the founder of the art'otel brand, to develop new hotels under that brand in Austria, France, Germany (where all but one of the Group's current art'otels are located), Italy, Spain and Switzerland, subject to an obligation to negotiate in good faith with the Group to manage such hotels. Were CCS to open and operate hotels in those countries managed by third parties other than the Group, the standard of those hotels operating under the art'otel brand would be out of the Group's control. Any failure on the part of the managers of such hotels to maintain an operational standard comparable with that of the Group's art'otel branded hotels could adversely affect the reputation of the art'otel brand. To date CCS has opened and currently operates one art'otel branded hotel in Leipzig, Germany. The standard of that hotel is out of the Group's control as would be the standard of any other hotel operated in this manner.

There are various risks associated with the Group's ownership of the art'otel trademarks and its licence of the Park Plaza Hotels & Resorts trademarks.

The Group's success depends on obtaining, maintaining and enforcing its intellectual property rights, and its ability to avoid infringing the intellectual property rights of others. No assurance can be given that the Group will be able to obtain further trademarks in all jurisdictions in which it wishes to do business. There is no assurance that, once granted, trademarks are guaranteed to be valid.

To the extent the trademarks owned by, or licensed to, the Group may be infringed, litigation may be necessary to protect the Group's interest and claims may be made by third parties that the trademarks owned or used by the Group infringe that third party's trademarks.

The Group uses the Park Plaza Hotels & Resorts trademarks under licence. There can be no assurance that, despite this licence, a third party will not claim ownership of the trademarks and that the Group's use of them infringes its rights. The cost implications of any such successful claim are dealt with under the licence, by an indemnity given by the licensor of the Park Plaza Hotels & Resorts trademarks to the licensee in relation to claims by third parties of infringements of their rights. There is, however, the possibility that a successful claim could prevent the Group's continuing use of the trademark. The rights licensed to the Group are limited by the scope of the licence and therefore the freedom of the Group to conduct its business in the manner in which it proposes going forward may be restricted.

In six of the jurisdictions in which the Group owns the art'otel trademark, the Group's rights in relation to the mark are restricted because the Group has granted perpetual exclusive rights to CCS to develop new hotels under the art'otel trademark.

These factors could have a material adverse effect on the Group's plans for future growth and, as a result, its business, financial condition and results of operation.

The Group does not own the original artwork displayed in its art'otel branded hotels.

A key marketing tool of the Group's art'otel branded properties is the fact that each such property displays original works of art by a famous, often local, artist. None of this artwork is owned by the Group. Some of it is owned by the founder of the art'otel brand or his family or related trusts and the rest is owned by the relevant artist or other third parties. In the case of certain of the Group's art'otel branded hotels, formal arrangements have been entered into with the owners of the artwork pursuant to which the artwork is loaned to the Group for the duration of the operating lease. However, in a number of cases, no such formal arrangements have been entered into and the Group does not therefore have any legally enforceable right to display such art. Although the company controlled by the family of the founder of the art'otel brand has agreed to use its reasonable endeavours to agree the terms of an agreement relating to the loan of the art currently in place in the Group's hotels, such an agreement to agree is not legally binding and in any event is not with the owner of the art. Accordingly, there may be nothing to prevent the relevant owner from demanding that the artwork be returned. Were the Group required to return such artwork, there is no guarantee that it could replace it with original artwork of a similar standard in a timely manner and/or at reasonable cost. Failure to replace any artwork removed from the Group's art'otel branded hotels with similar quality of artwork could adversely affect the relevant hotel's attractiveness to its target market and may therefore have a material adverse effect on the Group's operations, business, financial condition and results of operations.

The Group's key senior personnel and management have been and remain material to its business.

The Group believes that the success or otherwise of its business is partially attributable to the efforts and abilities of the members of its senior management team. If one or more of the member of this team were unable or unwilling to continue in their present position, the Group might not be able to replace them easily, which could have a material adverse effect on the Group's business, financial condition and results of operations. If the Group is unable to retain its executive management team or other key personnel, or attract new qualified personnel to support the business, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may face decreased demand for its current locations or hotels.

The Group is subject to the risk of decreased demand for a given location or hotel. Competition resulting from other hotels in close proximity to the Group's hotels or decreased demand for a location in which the Group operates could have a material adverse effect on the Group's business, financial condition or results of operations. In particular, the Group's hotels in London are in close proximity to hotels of competitive relevance and this could lead to a decrease in customers. Furthermore, the Group has a concentration of hotels in London and Amsterdam and a decrease in demand in either city could have a material adverse effect on the Group's business, financial condition or results of operations.

The Group's results of operations are affected by foreign exchange fluctuations.

The Group's results of operations and the financial position of its subsidiaries and affiliates operating in jurisdictions outside of the Eurozone are reported in the relevant local currencies and then translated into Euros at the applicable exchange rates for inclusion in the Company's consolidated financial statements, which are stated in Euros. The exchange rates between these currencies and the Euro may fluctuate significantly. Such fluctuations may have a material effect on the Group's financial condition and results of operations.

In addition, the Group incurs currency transaction risk whenever one of its operating subsidiaries enters into a transaction using a different currency from its functional currency. The Group seeks to reduce currency transaction risk by matching commitments, cash flows and debt in the same currency, but does not enter into foreign exchange contracts for hedging purposes. However, the Group may not be able to match this risk in this way completely and were such risk to occur, it could have a material adverse effect on the Group's financial condition and results of operations.

A significant portion of the Group's operating expenses are fixed, which may impede the Group from reacting quickly to changes in its revenue.

A significant portion of the Group's personnel costs are fixed and not linked to the performance of its hotels, and certain of the Group's other operating expenses, including heating, information technology, telecommunications and similar expenses, are also to a large extent fixed. As such, the Group's operating results are vulnerable to short-term changes in its revenues. The Group's inability to react quickly to changes in its revenue by reducing the Group's operating expenses could have a material adverse effect on the Group's profitability and therefore its ability to pay dividends in the future and/or reduce the cash available for investment in the existing portfolio or expansion of the portfolio

The Group may face industrial disputes or other disruptions that could interfere with its operations.

The Group is subject to the risk of industrial disputes and adverse employee relations, and these disputes and adverse relations could disrupt the Group's business operations and materially adversely affect the Group's business, financial condition or results of operations and have a material adverse impact on the Group's reputation. In particular, the Group's employees at Park Plaza Victoria Amsterdam are represented by a works council. Although the Group has not had any material industrial disputes in the past, no assurance can be given that there will not be industrial disputes and/or adverse employee relations in the future that could have a material adverse effect on the Group's operations in a specific hotel, country or region.

The Group is exposed to certain risks in relation to information technology and systems.

The Group is reliant on certain technologies and systems for the operation of its business. Any system failures, data viruses, computer "hackers" or other causes may result in operational problems with the Group's information systems. For the year ended 31 December 2010, approximately 40 per cent. of the Group's room revenues were generated from bookings through the Carlson Central Reservation System, including the website of the Park Plaza hotels which is operated through Carlson's online platform. Although Carlson is contractually obliged to maintain and develop this reservation system, the Group does not have control over potential failures, outages or downtime in this system which could affect, among others, the delivery of reservations to its hotels. Any material disruption or slowdown of the Group's information systems, especially any failures relating to its reservation system, could cause valuable information to be lost or operations to be delayed, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations and have a material adverse impact on the Group's reputation.

As part of the Group's operations, the Group and each of its hotels maintain personal data, such as credit card, identification, address and other information, of the Group's guests on their databases. In addition, the Group participates in a loyalty programme pursuant to which Carlson retains information on the Group's guests. Such information may be misused by the Group or its partner's employees or other outsiders if there is inappropriate or unauthorised access to the relevant information systems. Incidents of unauthorised access to guest information or misuse of that information could have a material adverse effect on the Group's business and/or reputation. Although the Group and Carlson both have operational procedures in place to protect the misuse of personal information stored on their IT systems and they both ensure that new employees are inducted and trained as to the permitted use of personal information, there is no guarantee that such procedures and training will be adequate to prevent any misuse whatsoever.

The Group's insurance policies may not be adequate or comprehensive.

The Group insures against key risks to its business including the risk of damage to, or the destruction of, any of its hotels. Historically, the Group has maintained insurance at levels determined by the Group to be appropriate in light of the cost of cover and the risk profiles of the business in which the Group operates. However, the Group may not be able to obtain insurance that covers losses resulting from external risks, such as acts of terrorism or flooding. In addition, coverage the Group can obtain may be limited as may the Group's ability to obtain coverage at reasonable rates. With respect to losses for which the Group is covered by its policies, it may be difficult and may take time to recover such losses from insurers. In addition, the Group may not be able to recover the full amount from the insurer and there are caps on the insured amounts, and to the extent that losses are suffered, there could be a shortfall between the amount of loss and the insured amount. No assurance can be given that the Group's current insurance coverage will be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage will always be available at acceptable commercial rates.

2. Risks relating to the Group's properties and operations

The value of the Group's property portfolio may fluctuate as a result of factors outside the Group's control.

Property investments are subject to varying degrees of risks. Values are affected (among other things) by changing demand, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices. The value of the property may also fluctuate as a result of other factors outside the Group's control, such as changes in regulatory requirements and applicable laws (including in relation to taxation and planning), political conditions, the condition of financial markets, potentially adverse tax consequences, interest and inflation rate fluctuations and higher accounting and control expenses. The Group's business and financial condition could be adversely affected by a downturn in the property market.

Real estate investments are relatively illiquid.

Properties such as those in which the Group invests are relatively illiquid and planning regulations may further reduce the numbers and types of potential purchasers should the Group decide to sell certain properties. Such illiquidity may affect the Group's ability to vary its portfolio or dispose of or liquidate part of its portfolio in a timely fashion and at satisfactory prices in accordance with its strategy or in response to changes in economic, real estate market or other conditions. This could have an adverse effect on the Group's business, financial condition and results of operations.

Property valuations are uncertain.

A significant proportion of the Company's total asset value comprises property and property-related assets. If the property market weakens, the Company may have to write down the book value of the Group's properties with a corresponding loss recognised in the income statement. Property and property-related assets are inherently difficult to value because of the individual nature of each property and the particular terms of the agreements to which interests in those ventures are held. As a result, valuations can be uncertain and there can be no assurance that the estimates resulting from the valuation process will reflect actual sale prices that could be realised in the future. The market value of properties is generally affected by overall conditions in the economies or countries where these properties are located, inflation and changes in interest rates, which may in turn impact upon the demand for properties.

The Group has guaranteed owners of units in Park Plaza Westminster Bridge London a 5 or 6 per cent. annual return (with the exception of two units in respect of which the guaranteed annual return is less than 5 per cent.) on their investment for five years.

Marlbray, the wholly-owned subsidiary of the company which owns the freehold of Park Plaza Westminster Bridge London, and the Company have guaranteed to the purchasers of units in Park Plaza Westminster Bridge London that they will receive a 5 or 6 per cent. (with the exception of two units in respect of which the guaranteed annual return is less than 5 per cent.) annual yield on their investment for a period of five years from the date of completion of sale.

For the five year period of the guarantee, Marlbray is entitled to receive and retain all net income generated by the relevant unit and if such net income exceeds the guaranteed return, Marlbray will have benefited from the arrangement. However, if net income is less than the guaranteed return, Marlbray and the Company will be obliged to make up any shortfall. Such arrangements may therefore have a material adverse effect on the Group's business, financial condition and results of operation.

3. Risks relating to the hotel industry

The Group is subject to certain risks common to the hotel industry, some of which are beyond its control.

The Group currently owns, leases, operates and franchises hotels in six countries. The Group's operations and the results of its operations are subject to a number of factors that could adversely affect the Group's business. The most significant for investors, and all material factors known at the present time are:

- a downturn in international market conditions or the national, regional and/or local political, economic and market conditions in the countries in which the Group operates, which may diminish the demand for leisure and business travel and meeting/conference space;
- increases in interest rates, which could affect the Group's ability to negotiate future acquisitions on favourable terms;

- increased competition and periodic local oversupply of guest accommodation in the cities in which the Group has hotels;
- changes in travel patterns or in the structure of the travel industry, including any increase in, or the imposition of new taxes on, air travel;
- increases in operating expenses as a result of inflation, increased personnel costs and healthcare related costs, higher utility costs (including energy) costs, increased taxes and insurance costs, as well as unanticipated costs as a result of acts of nature and their consequences and other factors that may not be capable of being offset by increased room rates;
- changes in governmental laws and regulations, including those relating to employment, the preparation and sale of food and beverages, smoking, health and alcohol licensing laws and environmental concerns, fiscal policies and zoning ordinances and the related costs of compliance;
- high oil prices adversely affecting travel; and
- the adverse effects of the global economic downturn.

The impact of any of these factors (or a combination of them) may adversely affect room rates and occupancy levels in the Group's hotels, or otherwise cause a reduction in the Group's revenues. Such factors (or a combination of them) may also adversely affect the value of the Group's hotels and in either such case would have a material adverse effect on the Group's business, financial condition and results of operations.

Acts of terrorism have adversely affected the hotel industry generally, and these adverse effects may continue or worsen.

Increased terrorist activities and the heightened threat of terrorism have had a negative impact on hotel performance globally. The increase in acts of terrorism in general, and the targeting of popular destinations and hotels for their concentration of foreigners in particular, have had an adverse impact on business and leisure travel, hotel occupancy rate and RevPAR. Although the Group is to a certain extent insured against loss caused by terrorist acts, the Group's hotels may be adversely affected from time to time by safety concerns and a significant overall decrease in the amount of air travel, which particularly affect the corporate and premium segments that generally on average pay the highest room rates. The uncertainty associated with the instability in the Middle East, the continuing "war on terrorism" and the possibility or occurrence of future attacks, terrorism alerts or outbreaks of hostilities may give rise to an increased negative effect on business and leisure travel patterns and, accordingly, the performance of the Group's business.

Terrorist incidents such as the events of 11 September 2001, the London bombings of July 2005 and the wars in Iraq and Afghanistan significantly affected international travel and consequently global demand for hotel rooms. Further incidents or uncertainties of this type would be likely to have an adverse impact on the Group's operations and financial results. In addition, although the Group has made preparations, and conducted contingency planning, for such events there can be no guarantee that such preparations and planning will be adequate in all cases and a major incident or crisis may prevent operational continuity and consequently impact the value of the brands or the reputation of the Group.

The Group is exposed to the risk of events that adversely impact domestic or international travel.

The Group's room rates and occupancy levels could be adversely affected by events such as epidemics, travel-related accidents, travel-related industrial action, increased transportation and fuel costs, increased transport related taxes and natural disasters (such as ash clouds caused by volcanic eruptions, earthquakes and hurricanes) resulting in reduced worldwide travel or other local factors impacting individual hotels.

The Group is exposed to the risk of litigation from its guests, customers, actual and potential partners, suppliers, employees, regulatory authorities, franchisees and/or the owners of hotels leased or operated by the Group.

The Group is exposed to the risk of litigation from its guests, customers, landlords, actual and potential partners, suppliers, employees, regulatory authorities, franchisees and/or the owners of hotels leased or operated by the Group for breach of legal, contractual or other duties. Although the Group's experience of such litigation has been limited, no assurance can be given that disputes which could have such effect would not arise in the future. Exposure to litigation or fines imposed by regulatory authorities may affect the Group's reputation even though the monetary consequences may not be significant.

The Group may not be able to increase or maintain the number of its properties operated by its franchisees or pursuant to its management contracts.

Competition may generally reduce the number of suitable management, franchise and investment opportunities offered to the Group and increase the bargaining power of property owners seeking to engage a manager, become a franchisee or sell a hotel property. There can be no assurance that the Group will be able to identify, retain or add franchisees for the Group's brands or to secure management contracts. There are also risks that significant franchisees or groups or franchisees may have interests that conflict, or are not aligned with, those of the Group. Changes in legislation or regulations may be implemented that have the effect of favouring franchisees relative to brand owners.

The Group is reliant on licences in order to carry on certain of its activities.

The Group is licensed to sell alcohol and certain hotels also hold entertainment licenses. There can be no guarantee that these licences will be renewed in the future, nor that the Group will be able to obtain licences for any new properties. Failure to obtain, or the loss of, any licences or non-compliance with any licence could have a significant effect on the Group's business, financial condition or results of operations.

Environmental and/or health and safety compliance costs and liabilities may have a material adverse effect on the Group's financial condition and operations.

As an owner and operator of hotels, the Group is subject to a variety of European Union, national and local laws and regulations concerning environmental and/or health and safety ("EHS") matters. While the Directors believe that the Group is in compliance in all material respects with EHS laws and regulations currently applicable to it, there can be no assurance that the Group will not be found to be in breach of EHS laws and regulations. The failure to comply with present or future EHS laws and regulations could result in regulatory action, the imposition of fines or third party claims, which could in turn have a material adverse effect on the Group's results of operations, its financial condition and/or its reputation. In addition, compliance with new EHS laws and regulations could require the Group to incur significant expenditure that could have a material adverse effect on the Group's results of operations, financial condition or operations.

The Group's owned properties were constructed at various times and, in some cases, on or in areas that have historically been the subject of commercial or industrial use. As a result, hazardous substances (such as asbestos) are or may be present within land or buildings at some of these properties. Development or redevelopment of a Group's property could also reveal the presence of hazardous substances. EHS laws and regulations could impose obligations on the Group to manage, investigate, remediate, or pay for the management, investigation, remediation of, hazardous substances, or pay compensation to third parties for related damages in relation to such hazardous substances. While the Directors are not currently aware of any issues regarding hazardous substances at any of the Group's properties that would be likely to result in material remediation costs, regulatory action or third party claims, there can be no assurance that management, investigations, remediation or third party claims in respect of such matters will not arise which could have a material adverse effect on the Group's results of operations, financial condition and/or its reputation. If an issue in relation to the presence of hazardous substances at any Group property were to arise, and it were not remedied or not capable of being remedied, this may also adversely affect the Group's ability to sell, lease or operate the property or to borrow using the property as collateral.

4. Risks relating to the Group's borrowings

The Group's borrowings could have a significant impact on the Group's business, financial condition and/or results of operations.

The Group's existing bank borrowings (which at 31 March 2011 were €393.6 million) could have a significant impact on the Group's business, financial condition and/or results of operations by:

- increasing the Group's vulnerability to downturns in the hotel real estate market and the economy generally;
- exposing the Group, or increasing its exposure, to interest rate risk;
- requiring the Group to dedicate a substantial portion of cash flow to debt service thereby reducing the resources available for other purposes such as investment or distribution;

- limiting, through financial and restrictive covenants, the Company's ability to pay dividends or make loans within the Group, invest in properties or financial instruments, sell assets, borrow additional funds, issue equity or engage in transactions with affiliates;
- subjecting the Group's assets to security interests or creating liens or guarantees thereby restricting the Group's freedom to deal with such assets as its sees fit; and
- placing the Group at a competitive disadvantage to less highly-leveraged competitors.

While there is no current intention to increase the maximum level of borrowings under the Group's existing facilities, were the Group to incur additional borrowings, the risks stated above would also apply to these borrowings.

Failure to satisfy obligations under any current or future financing arrangements could give rise to default risk and require the Group to refinance its borrowings.

The use of borrowings presents the risk that the Group may be unable to service interest payments and principal repayments or comply with other requirements of its facility agreements. Under the Group's current financing arrangements, the Group is at risk of default on the occurrence of certain unexpected events. Were any such a default to occur, the Company would seek to take steps to remedy the default without delay (if the default is remediable) and/or to enter into discussions with the relevant bank regarding a waiver of the default or an amendment to the terms of the facility. If such steps and/or discussions were unsuccessful, the Group might be forced to sell some of its assets to meet such obligations or seek alternative finance to repay such borrowings. Borrowings may not be able to be refinanced or the terms of any refinancing may be less favourable than the existing terms of borrowing. For example, an unexpectedly large decline in the value of a property owned by the Group may result in a breach of the loan to value ratio specified in the Group's banking arrangements or an unexpected decline in performance may result in a breach of the required debt-service cover ratio, thereby causing an event of default. In such a case, the lender could enforce its security and take possession of the underlying property. Any cross-default provisions could magnify the effect of an individual default and could result in a substantial loss for the Group. While the Group believes the following to be unlikely, unexpected material adverse changes to the market values of the Group's properties could result in the amount of refinancing proceeds being insufficient to repay existing debt on maturity in full requiring the Group to fund the payment of any shortfall thereby reducing the amounts available for other purposes such as investment or distribution. Any failure to satisfy debt obligations could result in a default under the terms of current and future financing arrangements, thereby having a materially adverse effect on the Group's financial condition.

The Group has borrowed and may borrow to fund its future growth.

The Group may need to borrow to fund expansion. The extent of any such borrowings, and the terms thereof, will depend on the Group's ability to obtain credit facilities and the lenders' view of the stability of the Group's cash flow. Any delay in obtaining or failure to obtain suitable or adequate financing from time to time may impair the Group's ability to expand its hotel portfolio, which is likely to impact negatively on the Group's business, financial condition and results of operations.

5. Risks relating to the Shares

The Company's two largest Shareholders, Euro Plaza and Molteno, have substantial control over the Company.

Approximately 43.6 per cent. of the Shares are held by Euro Plaza, a company controlled by Eli Papouchado, the Company's Non-Executive Chairman, and members of his family and approximately 18.8 per cent. of the Shares are held by Molteno, a company controlled by the Princeton Trust, a discretionary trust for the benefit of the family of Boris Ivesha, the Company's President and Chief Executive Officer. Accordingly, such companies will have a significant influence in relation to matters submitted to a vote of the Company, including matters such as the declaration of dividends, capital increases, amendments to the Articles and the election and dismissal of Directors. This may result in the value of the Shares being materially adversely affected. Furthermore, Euro Plaza and Molteno have agreed to vote in a concerted manner as further described in section 12 of Part I of this document headed "Relationship with key Shareholders". The interests of Euro Plaza and Molteno may differ from those of the other Shareholders. The relationship between Euro Plaza and Molteno, on the one hand, and the Company, on the other, are governed by Relationship Agreements, further details of which are contained in section 13.1 of Part VII of this document headed "Related party transactions — The Relationship Agreements".

The Shares are expected to be admitted to a standard listing on the Official List and as a consequence additional ongoing requirements and protections applicable to a premium listing under the Listing Rules will not apply to the Company.

The Company will be listed under Chapter 14 of the Listing Rules (Standard Listing (shares)) and as a consequence a significant number of the Listing Rules will not apply to the Company. Shareholders will therefore not receive the full protections of the Listing Rules associated with a premium listing.

Listing Rule 14.3 sets out the continuing obligations applicable to companies with a standard listing and requires that such companies' listed securities must be admitted to trading on a regulated market at all times. Such companies must have at least 25 per cent. of the shares of any listed class in public hands at all times in one or more EEA States and the FSA must be notified as soon as possible if these holdings fall below that level.

The continuing obligations under Chapter 14 also include requirements as to:

- forwarding of circulars and other documentation to the National Storage Mechanism, and related notification to a RIS;
- the provision of contact details of appropriate persons nominated to act as a first point of contact with the FSA in relation to compliance with the Listing Rules and Disclosure and Transparency Rules;
- the form and content of temporary and definitive documents of title;
- the appointment of a registrar;
- notifying an RIS in relation to changes to equity and debt capital; and
- compliance with, in particular, Chapters 4, 5 and 6 of the Disclosure Rules and Transparency Rules.

As a company with a standard listing, the Company will, following Admission, not be required to comply with, *inter alia,* the provisions of Chapters 6 to 13 of the Listing Rules, which set out more onerous requirements for issuers with a premium listing of equity securities. These include provisions relating to listing principles, the requirement to appoint a sponsor, various continuing obligations, significant transactions, related party transactions, dealings in own securities and treasury shares and contents of circulars.

The Company intends, following Admission, voluntarily to comply with the Listing Principles set out in Chapter 7 of the Listing Rules which would otherwise apply to the Company if it were to obtain a premium listing on the Official List. The Company is not, however, subject to such Listing Principles and will not be required to comply with them. The Directors intend to ensure that Shareholders are provided with sufficient information in order for them to make an informed decision on any matter which they need to approve, and the Directors will also take independent financial advice where appropriate.

The Company is not required, and does not intend, to appoint a listing sponsor under Chapter 8 of the Listing Rules in order to guide the Company in understanding and meeting its responsibilities under the Listing Rules.

The provisions of Chapter 9 of the Listing Rules (continuing obligations) will not apply to the Company. Chapter 9 includes provisions relating to transactions, including, *inter alia,* requirements relating to further issues of shares, the ability to issue shares at a discount in excess of 10 per cent. of market value, notifications, and the content requirements of certain financial information.

Although the Company is not required to comply with Chapter 9 of the Listing Rules, it will voluntarily:

- publish its preliminary statement of annual results (or the information from its annual financial report that is required to be communicated to the media pursuant to the Disclosure and Transparency Rules) through an RIS as soon as possible after it has been approved and in any event within four months of the end of the period to which it relates and only after it has been agreed with the Company's auditors;
- notify an RIS as soon as possible after the Directors have approved any decision to pay or make any dividend or other distribution or to withhold any dividend or interest payment; and

- publish its half yearly report to an RIS as soon as possible after it has been approved and in any event within two months of the end of the period to which it relates.

The Company is not required to comply with the Model Code on Directors' dealings in Shares set out in Chapter 9 of the Listing Rules. However, the Company has adopted a share dealing code that is broadly consistent with the provisions of the Model Code and will continue to follow such dealing code following Admission.

The Company is not required to comply with Chapters 10, 11 and 12 of the Listing Rules (significant transactions, related party transactions, dealing in own securities and treasury shares). Related party transactions with Euro Plaza and Molteno (and their respective associates) are however required to be on arm's length terms under the terms of the Relationship Agreements (for further details see section 13.1 of Part VII of this document headed "Related party transactions — The Relationship Agreements").

Chapter 13 of the Listing Rules contains provisions relating to the content of circulars and is only applicable to companies with a premium listing. Consequently, the Company is not required to comply with the provisions of that chapter.

The Company confirms that, notwithstanding that upon Admission neither Listing Rule 5.2.5 (cancellation of listing) nor the equivalent protection currently provided under the AIM Rules will be applicable, in the event a cancellation of its listings were to be proposed, it would in any event seek Shareholder approval as if Listing Rule 5.2.5 of the Listing Rules was applicable to it. Pursuant to Listing Rule 5.2.5 this will mean, *inter alia,* that the Company would send a circular to its Shareholders containing certain information as specified in the Listing Rules and obtain the approval of not less than 75 per cent. of its Shareholders in the event that it proposes to seek a cancellation of its listing. It should be noted that the UK Listing Authority will not have the authority to monitor the Company's voluntary compliance with any of the Listing Rules applicable to companies with a premium listing (and will not do so) nor will it impose sanctions in respect of any breach of such requirements by the Company.

Standard listings have only recently been available for UK companies and relatively few UK companies have come to market with a standard listing. Therefore it may not yet be possible to predict how UK companies with standard listings will be viewed by analysts and institutional investors.

A company with a standard listing is not currently eligible for inclusion in any of the FTSE indices (i.e. FTSE100, FTSE250 etc). This may mean that certain institutional investors are unable to invest in the Shares.

Active trading in Shares may not develop.

Investors should be aware that the value of the Shares may go down as well as up and that they may not be able to realise their investment. Although the Company has applied for admission of the Shares to the standard listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, and it is expected that these applications will be approved, the Group can give no assurance that the trading market for the Shares will be more active than when such securities were admitted to trading on AIM or, if developed, will be sustained following Admission. If an active trading market is not developed or maintained, the liquidity and/or trading price of the Shares could be adversely affected.

The price of the Shares may be volatile.

The price at which the Shares are quoted and the price which investors may realise for their Shares will be influenced by a large number of factors, some specific to the Company and its operations and some related to the quoted travel and tourism sector or quoted companies generally and which are outside the Company's control. These factors could include the performance of the Company, large purchases or sales of the Shares, legislative changes affecting the hotel business sector, general economic, political or regulatory conditions, or changes in market sentiment towards the Shares.

The results of the Company may fluctuate significantly as a result of a variety of factors, many of which may be outside the Company's control. Period to period comparisons of the Company's results may not be meaningful and investors should not rely on them as indications of the Company's future performance. The Company's results may fall below the expectations of securities analysts and investors. In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities and which may be unrelated to the Company's operating performance. Any of these events could result in a decline in the market price of the Shares.

The sale of a substantial number of the Shares, or the perception that such sales could occur, could adversely affect the price of the Shares.

The price of the Shares could decline as a result of the sale of substantial number of Shares in the market, or could be held back by the perception that such sales could occur. Such perception also might make it difficult for the Company to issue equity securities in the future at a time and at a price that it deems appropriate.

If the Company is wound up, distributions to Shareholders will be subordinated to the claims of creditors.

On a return of capital on a winding-up, holders of Shares will be entitled to be paid out of the assets of the Company available to members only after the claims of all creditors of the Company have been settled.

The Company may be unable to pay dividends.

The Company has not paid dividends since its Shares were admitted to AIM in July 2007. A number of the Group's banking facilities have been successfully refinanced and the Directors expect that the Company will commence payment of dividends during 2012. However, the Company's ability to pay dividends will depend, inter alia, on the profitability of the Company and that of other Group companies. Accordingly, the Company may be unable to pay dividends during 2012 or at any time in the future.

The future market price may not reflect the net asset value of the Group.

There is no guarantee that the market price of the Shares will fully reflect the underlying value of the assets owned by the Group. As well as being affected by the underlying value of such assets, the market price of the Shares will be influenced, amongst other factors, by the supply and demand for the Shares in the market. Accordingly, the market price of the Shares may vary considerably from the underlying value of the Group's assets.

6. Risks relating to the taxation of the Group

Changes in tax laws or their interpretation could adversely affect the Group's profitability and financial condition and therefore the level of dividends the Company is able to pay.

The levels of, and reliefs from, taxation available to the Group may not be in accordance with the assumptions made by the Company and/or may change. There can be no guarantee that the rates of taxation envisaged by the Directors will be the ongoing rates of taxation paid by the Group.

Changes to the tax laws or practice in Guernsey, the United Kingdom, The Netherlands and/or any other tax jurisdiction affecting the Group could impact on the Group's profitability and financial condition and therefore the level of dividends which the Company is able to pay. Specifically, any change in the Group's tax status or changes in tax legislation or tax treaties negotiated by those countries in which the Group operates, or in taxation legislation or taxation practice in Guernsey, the United Kingdom, The Netherlands or any other tax jurisdiction in which the Group operates could affect the value of investments held by the Group or affect the Company's ability to pay dividends or alter the post tax returns to Shareholders. Further, if the assumptions made by the Company as to taxation relief available do not prove correct, the level of dividends the Company is able to pay may be adversely affected. There can be no guarantee that the rates of taxation envisaged by the Company will be the ongoing rates of taxation paid by the Group.

Whilst a general guide to UK and Guernsey taxation is contained in sections 14 and 15 respectively of Part VII of this document headed "United Kingdom taxation" and "Guernsey taxation", respectively, investors should not rely on such general guidance and should seek their own advice.

Subsidiaries and associates of the Company are subject to income tax in their country of domicile in respect of their income. The basis on which they taxed and the rates of tax may change. Such changes may lead to higher taxes than assumed by the Company being paid.

Changes to the tax residence of the Company and other members of the Group could adversely affect the Company's financial and operating results.

The Company is considered resident in Guernsey. In order to maintain this status for tax purposes, the Company is required to be centrally managed and controlled from Guernsey. The composition of the Board, the place of residence of the individual Directors and the location(s) in which the Board makes decisions will be important in determining and maintaining the Guernsey tax residence of the Company, as far as the authorities in these other territories are concerned. Although the Company is incorporated in Guernsey and the majority of the Directors currently reside outside the United Kingdom and The Netherlands, Board meetings must not be held inside the United Kingdom or The Netherlands and major decisions by the Company, including substantive decisions regarding the control and the policy of the Company must be taken only at such meetings outside the United Kingdom and The Netherlands or the Company could acquire dual tax residence, by becoming tax resident in either the United Kingdom or the Netherlands as well as remaining Guernsey tax resident. Management errors relating to the manner and location of the management and control of the Company could potentially lead to the Company acquiring tax residence in the United Kingdom or The Netherlands, which would have a material adverse effect on its financial and operating results and returns to Shareholders. The Company will ensure that as far as is possible subsidiaries are resident for tax purposes only in their country of domicile.

EXPECTED TIMETABLE

Each of the times and dates is subject to change without further notice. References to a time of day are to London time.

Publication of this document	24 June 2011
Delisting from AIM	8.00 a.m. on 30 June 2011
Admission	8.00 a.m. on 30 June 2011

NO ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders are not required to take any action upon receipt of this document. The Company is not issuing any new Shares nor is it seeking to raise any new money in connection with Admission.

This document has been published solely to enable the Company to obtain admission of the Shares to the standard listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.

Forward-looking statements

Some of the statements in this document include 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. These factors include but are not limited to those described in the part of this document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward-looking statements in this document reflect the Group's current views with respect to future events and are subject to these and other 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 of this document. Subject to any obligations under the Prospectus Rules, the Listing Rules or the Disclosure and Transparency Rules, the Company undertakes no obligation publicly to update or review 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. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

No statement in this document is intended as a profit forecast and no statement in this document should be interpreted to mean that the earnings of the Company and/or the earnings per Share for the current or future years would necessarily match or exceed the historical published earnings of the Company and/or earnings per Share.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Eli Papouchado Boris Ivesha Chen Moravsky Elisha Flax Nigel Jones Kevin McAuliffe	(*Non-Executive Chairman*) (*President and Chief Executive Officer*) (*Chief Financial Officer*) (*Non-Executive Director*) (*Non-Executive Director*) (*Non-Executive Director*)
Company secretary and registered office	C.L. Secretaries Limited 1st and 2nd Floors Elizabeth House Les Ruettes Brayes St. Peter Port Guernsey GY1 1EW Channel Islands	
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Legal advisers to the Company as to English law	Norton Rose LLP 3 More London Riverside London SE1 2AQ United Kingdom	
Legal advisers to the Company as to Guernsey law	Carey Olsen Carey House Les Banques St. Peter Port Guernsey GY1 4BZ Channel Islands	
Legal adviser to Investec	Lawrence Graham LLP 4 More London Riverside London SE1 2AU United Kingdom	
Auditors to the Company and Reporting Accountants	Ernst & Young LLP PO Box 9 Royal Chambers St. Julian's Avenue St. Peter Port Guernsey GY1 4AF Channel Islands	
Registrars and Transfer Agents	Capita Registrars (Guernsey) Limited Longue Hougue House Longue Hougue Lane St. Sampsons Guernsey GY2 4JN Channel Islands	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom

PART I

INFORMATION ON THE GROUP

1. Introduction

The Group's main activities are owning (and in some cases, developing), leasing, operating and franchising full service four-star, four-star deluxe and lifestyle hotels in major gateway cities and regional centres primarily in Europe. The majority of the Group's hotels operate under one of two distinct brands, "Park Plaza Hotels & Resorts" or "art'otel".

The Group's portfolio of owned, leased, operated and franchised hotels comprises 38 hotels offering a total of 8,315 rooms. Of these, 2,868 rooms are in properties owned by the Arenaturist Group, one of Croatia's leading hospitality groups, in which the Group has a minority interest. The Group is also working on projects relating to three new hotels and an extension to an existing hotel which, together, are expected to add a further 693 rooms to the portfolio by the end of 2013.

The Group has rights to two brands:

- "Park Plaza Hotels & Resorts", in relation to which the Group has an exclusive licence to use the brand in 56 countries in the EMEA region, through a territorial licence agreement with Carlson, a leading US travel and hospitality company. In addition to the brand itself, the Group's relationship with Carlson allows it to benefit from Carlson's global brand infrastructure, reservation system and sales and marketing platform; and
- "art'otel", which the Group owns subject to certain rights in favour of a third party as described in section 4 of this Part I headed "The Group's brands and intellectual property rights — art'otel".

2. History of the Group

The Group was formed in July 2007 through the combination of certain hotel assets of the Red Sea Group (which is ultimately controlled by Eli Papouchado, the Company's Chairman, and members of his family) and the hotel operating interests of the group of companies controlled by the Princeton Trust (a discretionary trust for the benefit of the family of Boris Ivesha, the Company's President and CEO). These two groups have an aggregate shareholding of 64.5 per cent. in the Company. Eli Papouchado and Boris Ivesha have a long history of working together, dating back to 1989 when Park Plaza Eindhoven was acquired by the Red Sea Group and was subsequently operated by PPHE, a wholly-owned subsidiary of the Company previously owned by the Princeton Trust. Since the Company's flotation on AIM in July 2007, it has grown both organically and by means of acquisitions and joint ventures. The key events in the Group's development since its IPO are outlined below:

February 2008

The 398 room Park Plaza County Hall London was opened on London's South Bank. The Group operates this hotel under a management agreement with no ownership interest.

February 2008

The Group acquired the 66.7 per cent. of Marlbray which it did not already own. As a result, the Group attained control of the prestigious Park Plaza Westminster Bridge London, which opened in 2010. The hotel has a total of 1,019 rooms (of which 535 have been sold to third party investors), making it one of the largest hotels in London, and also has state-of-the-art conferencing facilities.

March 2008

The Group entered into a joint venture with Aldersgate Investments Limited to develop a new hotel under the art'otel brand. The hotel will be located in Hoxton, a fashionable area on the edge of the City of London, and will offer guests several hundred rooms and suites, as well as a choice of restaurants and bars.

April 2008

The Group acquired a 20 per cent. interest in Bora, which owns 74 per cent. of Arenaturist, a Croatian public company, and 100 per cent. of three Croatian private companies. These companies together own eight hotels and five apartment complexes and have ownership interests in eight campsites in Istria, Croatia.

May 2008

Park Plaza Eindhoven was re-launched, following extensive refurbishment and modernisation.

July 2009

The Group engaged in a project to build art'otel amsterdam. Situated opposite Amsterdam's central station, the hotel is planned to open in 2012 and is expected to offer about 100 rooms.

March 2010

Park Plaza Westminster Bridge London, the Group's flagship hotel located on London's South Bank, had its soft-opening, followed by a full opening in September 2010.

March 2010

art'otel cologne, a 218 room hotel located on the River Rhine, had its soft-opening, followed by a full opening in September 2010.

April 2010

Park Plaza Vondelpark, Amsterdam was re-launched following three months of renovation and styling.

April 2010

The Group entered into a joint venture with Elbit to acquire a large conference hotel in The Netherlands, located near Amsterdam Schipol Airport. The hotel, re-branded as Park Plaza Amsterdam Airport, offers 342 contemporary rooms and over 1,800 square metres of flexible meeting space.

August 2010

The Group acquired the companies which own the freehold and long leaseholds of Park Plaza Leeds and Park Plaza Nottingham, respectively, both of which were previously owned by the Red Sea Group and had been operated by PPHE since 2003.

December 2010

The Group acquired from Elbit the remaining interests in Park Plaza Sherlock Holmes London (45 per cent.), Park Plaza Victoria London (50 per cent.), and Park Plaza Riverbank London (including Plaza on the River) (45 per cent.), giving the Group complete ownership of these hotels.

April 2011

The renovation of 164 rooms in Park Plaza Victoria Amsterdam was completed.

June 2011

The renovation of Park Plaza Eindhoven was completed.

3. Business and operations

The Group is a hotel owner and brand operator. Unlike many of its competitors, which tend either to operate or own hotels, the Group offers hotel management services while also having a variety of interests and contractual arrangements in its hotels. The Group's long-term exclusive licence in the EMEA region for the Park Plaza Hotels & Resorts brand and worldwide ownership of the art'otel brand allows it to leverage a wide range of opportunities to expand its portfolio. The Group's hotel interests and contractual arrangements involve ownership (and, in some cases, development), operating leases, operating and franchise arrangements, the nature of which are summarised below.

Ownership and development

The Group owns (wholly or jointly) 12, and has a minority ownership interest in 13, of the hotels in its current portfolio and all three of its current projects. The Group has also participated in the development of a number of its hotels, including Park Plaza Westminster Bridge London and Park Plaza Riverbank London (including Plaza on the River). Although development is capital intensive, by retaining an ownership interest in the hotels it develops, the Group is well placed to capitalise on any future rise in property prices. Further details of hotels operated by the Group in which it has ownership interests are contained in section 2 of Part IV of this document headed "Types of hotel operations — Hotels operated by the Group with an ownership interest of 50 per cent. or more".

Operating leases

Seven of the Group's eight hotels in Germany and the art'otel in Budapest are operated under operating leases. These tend to be long-term arrangements under which the Group leases a hotel from a third party for a period of up to 25 years. In most cases, monthly rental payments are based on a percentage of the operating revenues of that hotel subject, in most cases, to a minimum amount which is independent of the operating revenue. While operating leases require a lower capital investment than owning a hotel, there is a risk that the Group will not be able to generate sufficient revenues to cover rental payments and the other operating costs. For this reason, the Group will aim to enter into future operating lease arrangements only where it is able to limit its exposure. Further details on operating leases are contained in section 2 of Part IV of this document headed "Types of hotel operations — Operating leases".

Operating contracts

The Group operates all of the hotels in its current portfolio other than those under franchise agreements. Further details of these operating arrangements are contained in section 2 of Part IV of this document headed "Types of hotel operations — Hotels operated by the Group with a minority or no ownership interest".

Franchise arrangements

Four of the Group's hotels are subject to franchise arrangements. Under these arrangements, third party hotel operators are granted licences for a fixed period to use one of the Group's two brands in relation to a specific hotel. Accordingly, under such agreements, the Group does not own or operate the hotel. The Group derives revenue from a brand royalty or licensing fee which, under most of the franchise agreements, is equal to 3.5 per cent. of hotel revenues and a one-off fee on a per room basis (starting from US$100 in MENA and up to €200 in Europe) once hotels are opened with the Park Plaza Hotels & Resorts or the art'otel brand, as well as other fees for services connected with the brands, such as sales and marketing. The Group has the right to terminate the arrangement where the franchisee fails to meet quality standards or other requirements set out in the franchise agreement. Further details on franchise arrangements are contained in section 2 of Part IV of this document headed "Types of hotel operations — Franchise agreements".

The following table summarises the Group's hotel portfolio and projects by type:

	Total		Owned/co-owned/ minority interest		Operating lease		Operated		Franchised	
No. of	Hotels	Rooms	Hotels	Rooms	Hotels(2)	Rooms	Hotels	Rooms	Hotels	Rooms
Currently open										
Park Plaza	19	4,557	12	3,270	2	322	1	398	4	567
art'otel	6	890	—	—	6	890	—	—	—	—
Arenaturist Resorts(1)	13	2,868	13	2,868	—	—	—	—	—	—
Sub-total	**38**	**8,315**	**25**	**6,138**	**8**	**1,212**	**1**	**398**	**4**	**567**
Projects										
Park Plaza	1	175	1	175	—	—	—	—	—	—
art'otel	2	518	2	457	1	61	—	—	—	—
Sub-total	**3**	**693**	**3**	**632**	**1**	**61**	**—**	**—**	**—**	**—**
TOTAL	**41**	**9,008**	**28**	**6,770**	**8**	**1,273**	**1**	**398**	**4**	**567**

Notes:

(1) The Group has a 20 per cent. stake in Bora, which in turn holds a 74 per cent. stake in Arenaturist, a Croatian public company, and 100 per cent. of three private companies. Together, these companies own eight hotels and five apartment complexes and have ownership interests in eight campsites in Istria, Croatia.

(2) The project under "operating lease" is for a 61-room extension to art'otel berlin city center west, not an additional hotel.

4. The Group's brands and intellectual property rights

The Group's two primary brands appeal to different target customers. 19 of the Group's hotels, offering a total of 4,557 rooms, operate under the Park Plaza Hotels & Resorts brand and six of the Group's hotels, offering a total of 890 rooms, operate under the art'otel brand. The properties owned by the Arenaturist Group are not currently branded with either of the Group's brands.

Park Plaza Hotels & Resorts

The Park Plaza Hotels & Resorts brand is positioned in the upscale segment of full-service hotels. The hotels are typically located in the heart of business and tourist centres, and are easily accessible to central railway stations, airports and major ring roads. A cornerstone of the Park Plaza Hotels & Resorts brand is to offer high quality standard rooms at attractive rates. These properties usually have 100-300 rooms with state-of-the-art facilities and are targeted at both business and leisure travellers.

The Group's rights to the Park Plaza Hotels & Resorts brand stem from the Territorial Licence Agreement with Carlson. Under this agreement, the Group has the exclusive right to use (and to sub-license others to use) the Park Plaza Hotels & Resorts trademark in 56 countries within the EMEA region. The rights granted under the Territorial Licence Agreement are in perpetuity (or for the maximum period allowed by the laws of the relevant jurisdiction). The Territorial Licence Agreement also allows the Group to use (and to sub-license others to use) the Carlson reservations, marketing, training and advertising system. Further details of this agreement are set out in section 6 of this Part I headed "Sales, marketing and public relations — Carlson Central Reservation System".

Under the Territorial Licence Agreement, the Group pays Carlson a fee calculated by reference to a percentage of the gross room revenues generated by all hotels operated under the Park Plaza Hotels & Resorts brand in the territories covered by the Territorial Licence Agreement, as well as reservation and distribution fees.

art'otel

The art'otel brand is built on the concept of individually themed hotels each of which focuses on a contemporary artist. The art'otel brand seeks to appeal to a sophisticated clientele with an interest in art and culture. These hotels operate in the four-star price category and aim to provide excellent value for money with a unique blend of service and design. The art'otel branded hotels are usually smaller than the Park Plaza Hotels & Resorts branded hotels with typically 100-200 rooms. They tend to be located close to main shopping streets or tourist attractions. The art'otel hotels also benefit from the Carlson Central Reservation System on broadly similar terms to those described in the section 4 of this Part I headed "The Group's brands and intellectual property rights — Park Plaza Hotels & Resorts".

The Group owns the art'otel brand subject to an exclusive perpetual licence in favour of CCS (a company controlled by the brand's founder) to develop new hotels under the art'otel brand in Austria, France, Germany, Italy, Spain and Switzerland. When exercising such rights, CCS would be obliged to negotiate in good faith with the Group to manage such hotels. Further information is given in section 11.3 of Part VII of this document headed "Material contracts — art'otel Acquisition Agreement".

Chino Latino

The Group also operates four restaurants in its hotel portfolio under its Chino Latino brand.

The following table summarises the key features of the Group's two brands:

Brand:	Park Plaza Hotels & Resorts	art'otel
Typical size:	• 100–300 rooms	• 100–200 rooms
Concept:	• Design-led properties offering a blend of technology and comfort • "Full service" four-star and four-star deluxe	• Fusion of travel, architecture and contemporary art • Lifestyle hotel
Target customers:	• Business and leisure travellers	• Professionals and leisure travellers with an interest in arts & culture
Location:	• Key European leisure and business destinations	• European leisure and business destinations
Accessibility:	• In the heart of business and tourist centres • Close to major transportation hubs	• Easy access to transport links • Close to main shopping streets and cultural attractions
Facilities and features:	• State-of-the-art facilities in all rooms • Excellent conference facilities • Bars and restaurants	• Collection of original artwork

5. Hotels and projects

The following table shows the Group's portfolio of hotels and projects:

Hotel	Location	Ownership interest	No. of rooms	Year[4]
Current portfolio				
Hotels where the Group's ownership interest is 50 per cent. or more				
Park Plaza Leeds	Leeds	100%	185	2003
Park Plaza Nottingham	Nottingham	100%	178	2002
Park Plaza Riverbank London	London	100%	394	2005
Plaza on the River — Club & Residence	London	100%	66	2005
Park Plaza Sherlock Holmes London	London	100%	119	2001
Park Plaza Victoria London	London	100%	299	2001
Park Plaza Westminster Bridge London[1]	London	100%	1,019	2010
Park Plaza Amsterdam Airport	Amsterdam	50%	342	2010
Park Plaza Victoria Amsterdam	Amsterdam	50%	306	1993
Park Plaza Vondelpark, Amsterdam	Amsterdam	100%	138	2006
Park Plaza Eindhoven	Eindhoven	100%	104	1989
Park Plaza Utrecht	Utrecht	50%	120	1995
			3,270	
Hotels under operating leases				
art'otel berlin city center west[2]	Berlin	—	91	2001
art'otel berlin kudamm	Berlin	—	133	2006
art'otel berlin mitte	Berlin	—	109	2000
Park Plaza Prenzlauer Berg Berlin	Berlin	—	155	2000
Park Plaza Wallstreet Berlin	Berlin	—	167	2006
art'otel budapest	Budapest	—	165	2000
art'otel cologne	Cologne	—	218	2010
art'otel dresden	Dresden	—	174	2000
			1,212	
Hotels operated by the Group where the Group has a minority or no ownership interest				
The Arenaturist Resorts[3]	Istria, Croatia	15-20%[5]	2,868	2008
Park Plaza County Hall London	London	—	398	2008
			3,266	
Hotels under franchise agreements				
Park Plaza Cardiff	Cardiff	—	129	2005
Park Plaza Belfast	Belfast	—	106	2004
Park Plaza Orchid Tel Aviv	Tel Aviv	—	182	2007
Park Plaza Trier	Trier	—	150	2003
			567	
Total			**8,315**	
Projects				
art'otel amsterdam	Amsterdam	50%	105	
art'otel london hoxton	London	50%	352[6]	
Park Plaza Nuremberg	Nuremberg	100%	175	
			632	

Notes:

(1) The Company has granted 999-year leases in respect of 535 units, for further details see section 2 of Part IV of this document headed "Types of hotel operations — Hotels operated by the Group with an ownership interest of 50 per cent. or more".

(2) Excludes 61 room expansion currently underway which is due to complete in the first quarter of 2012.

(3) Excludes the Croatian campsites (see section 1 of Part II of this document headed "Current portfolio — Hotels managed with a minority or no ownership interest" for further details).

(4) Year of commencement of operations under the Park Plaza Hotels & Resorts or art'otel brand.

(5) The Group has a 20 per cent. stake in Bora. Bora wholly-owns three private companies and has a 74.1 per cent. stake in Arenaturist a company listed on the Croatian Stock Exchange. Together these companies comprise the Arenaturist Group. The Arenaturist Group owns the Arenaturist Resorts although its ownership of the eight campsites is subject to Croatian law pursuant to which the Republic of Croatia has certain ownership rights in relation to such campsites.

(6) A planning application is currently pending for 234 units.

The aggregate market value of the properties and projects in which the Group has ownership interests of 50 per cent. or more (other than Park Plaza Westminster Bridge London) was appraised by Savills as at 7 June 2011 at £524.8 million (of which the value attributable to the Group was £433.0 million); the market value of the Group's interest in Park Plaza Westminster Bridge London was appraised by Colliers as at 17 December 2010 at £185 million (assuming stabilised trading); for further details of these valuations and the assumptions on which they are based, see the valuation reports set out in Part VI of this document). All three of the Group's projects were taken into account when preparing the Savills valuation. A description of the properties in the Group's portfolio is set out in Part II of this document.

6. Sales, marketing and public relations

The Group's sales, marketing and public relations efforts are focused on enhancing its brands in the markets in which it operates.

Carlson Central Reservation System

The Group's partnership with Carlson provides it with access to state-of-the-art reservation and distribution systems, which in 2010 accounted for approximately 40 per cent. of the Group's room revenues. The Carlson Central Reservation System ("CRS") provides a central repository of reservations, room availability and rates. This database is also central to the online reservation system supporting the Park Plaza Hotels & Resorts and art'otel websites. The CRS is linked to e-commerce sites which ensure real-time availability of information for prospective clients. For call centre operations, Carlson employs a staff of 422 across three time zones (United States (Omaha), Ireland and China) who provide reservation and customer service support to all Carlson hotel brands, 365 days a year. The arrangements also give the Group access to Carlson's clients and *vice versa* (please refer to section 11.2 of Part VII of this document headed "Material contracts — The Territorial Licence Agreement").

The Carlson marketing and reservation services cover both the Park Plaza Hotels & Resorts and art'otel brands, which are both marketed through the CRS.

Club Carlson

The Group participates in Carlson's guest loyalty programme, Club Carlson, which has a marketing database of over 6.3 million customers worldwide. In a global market where major corporations are consolidating their supplier relationships, being part of a global network ensures that the Group's hotels remain within corporate travel programmes and improves the Group's positioning with global travel consortia. The Carlson network has a cross-selling strategy at all customer touch points for the different brands within the Carlson family. This includes reservation call centres, global distribution system point of sale, the brand websites managed by Carlson, the network of on-property sales staff and Carlson's own global sales force.

In-house sales and marketing

In addition to the Group's access to the Carlson reservation staff, the Group has an experienced in-house sales and marketing team with over 140 employees. Each member of the team focuses on particular areas of the Group's business or target customer group and team members receive regular training to improve their selling skills. The Group's sales representatives regularly attend local and global trade shows and organise sales missions, showcases, workshops and familiarisation trips. The Group also regularly stages PR events.

In order to develop relationships, the Group seeks to negotiate preferred rates with major corporate customers and preferred status arrangements with travel management companies and marketing partners such as airlines and car hire companies. Designated key account managers are assigned to major customers in order to maintain and develop relationships.

Increasingly, the Group focuses on the internet as a marketing platform, in particular through the development of the parkplaza.com and artotels.com websites, both of which provide user friendly reservation systems.

7. Sources of business

Room revenue

The Group originates room revenues from various sources. The Group has ongoing arrangements in place with a number of tour operators in respect of its Park Plaza Resort & Hotels and art'otels hotels. Although room rates under such arrangements tend to be lower than for other customers, these arrangements help to maintain occupancy rates and ensure a steady source of revenue. In addition, many of the Group's customers are individuals who book directly with the hotel or through intermediaries such as travel agents, corporate entities or internet booking engines. As a result of the Group's relationship with Carlson, it has favourable arrangements with many of the leading internet travel websites.

The Group's customer base is a mixture of business and leisure customers. Although business customers tend to pay higher room rates than leisure customers, the Group seeks to retain a balance of business and leisure customers, as leisure customers tend to occupy rooms at times when business customers do not such as at weekends and on public holidays, thereby maximising the Group's occupancy rates and revenues. The Group also seeks to negotiate preferential rates with major corporate customers and currently has a number of such arrangements in place with major multinational companies.

Food and beverage operations including conferences

The conference facilities offered by the Group's hotels produce substantial revenue. For the year ended 31 December 2010, food and beverage operations including conferencing and banqueting accounted for approximately 25.8 per cent. of the Group's total revenues. The Directors believe that the conferencing and banqueting facilities within the Group's current portfolio of hotels position the Group to capture expected future growth in conferencing and banqueting trade. For example, Park Plaza Westminster Bridge London has a ballroom which can accommodate 1,400 guests theatre style and can host dinner for 1,000 guests. This hotel also offers a total of 31 fully-flexible, state-of-the-art meeting rooms. If conference and banqueting facilities at Park Plaza Westminster Bridge London are at full capacity, the Group can host additional guests at the nearby Park Plaza County Hall London and Park Plaza Riverbank London (including Plaza on the River) thereby maximising revenues from large events.

A large part of this revenue comes from food and beverages sales to conference guests and banquets. In addition, food and beverage revenues arise from the room service and on-site restaurants and other outlets in the Group's hotels.

For further details on a split of revenues for these sources of business see section 4 of Part IV of this document headed "Explanation of key line items of the income statements — Revenues".

8. Key strengths

High quality portfolio with an attractive geographical spread

The Group has a portfolio of high quality full service four-star, four-star deluxe and lifestyle hotels located primarily in major European cities with an attractive geographic spread. The portfolio covers six countries: the United Kingdom, The Netherlands, Germany, Hungary, Croatia and Israel. The Group has a particularly strong presence in two of the key European lodging markets, London and Amsterdam. The Group's other European hotels are located in gateway cities, such as Budapest and Berlin, or important regional cities like Utrecht, Eindhoven, Leeds and Nottingham. The majority of the Group's hotels are in prime locations, being close to key transportation networks such as major railway stations (e.g. Park Plaza Victoria Amsterdam and Park Plaza Victoria London), close to main shopping areas (e.g. Park Plaza Sherlock Holmes London, art'otel berlin mitte and art'otel berlin city center west), near exhibition centres (e.g. Park Plaza Utrecht), adjacent to tourist attractions (e.g. all of the Group's London hotels) or in close proximity to airports (e.g. Park Plaza Belfast and Park Plaza Amsterdam Airport).

Two distinct brands which the Directors believe have significant upside potential

The Group's business operates primarily under two distinct brands, Park Plaza Hotels & Resorts and art'otel, each of which the Directors believe have significant development potential. The Park Plaza Hotels & Resorts brand is positioned in the upscale segment of full service hotels and appeals to the growing market of business and leisure travellers seeking excellent service and facilities at attractive prices. Park Plaza Hotels & Resorts branded hotels offer onsite restaurants, meeting rooms, conference facilities, catering, suite and recreational facilities. The art'otel brand is built on the concept of individually themed hotels each focusing on a particular artist connected with its location. The art'otel brand is aimed at a sophisticated clientele with an interest in art and culture. The Directors believe that the increasing number of business and leisure travellers within Europe fuelled by the growth in low-cost air travel and the popularity of European city-breaks has increased demand for hotels with a distinctive brand which reflect the culture of their location. The Directors believe that the art'otel brand serves this niche in a unique way. The fact that the Group operates under two distinct brands gives it the flexibility to take advantage of a range of opportunities in its target markets, whilst maintaining brand focus.

Integrated approach of hotel and brand ownership and operation

The Group combines hotel and brand ownership with branded hotel operation and franchise services. The Directors believe that this integrated approach allows the Group to take advantage of, and maximise the return for Shareholders from, the different opportunities presented by the markets in which it operates and seeks to operate.

The Group has won many internationally recognised awards, including the Business Travel Awards 2011 'Best Small or Independent Hotel Chain'. Many of its hotels have also been recognised, for example, art'otel cologne featuring in the Sunday Times Travel Magazine "The 100 Best Hotels in the World".

Park Plaza Westminster Bridge London partially opened in March 2010 and fully opened in September 2010 as one of London's largest hotels. The project garnered considerable attention, with London's Mayor bolting into place the final beam at a 'topping out' ceremony in July 2009.

Powerful distribution network through the Carlson partnership

The Group's relationship with Carlson gives it access to Carlson's large-scale and effective reservation and distribution system, the Carlson Central Reservation System. This allows the Group to benefit from the economies of scale, extensive operating experience and significant negotiating power of one of the world's largest travel and hospitality companies. Inclusion in the CRS provides the Group with marketing benefits, including access to global loyalty programmes such as "Club Carlson", "look to book" and airline partnership programmes as well as helping to secure preferred supplier status with numerous multinational companies. In addition, where a customer is unable to secure a reservation at another hotel within the Carlson family of brands, either through a travel agent or online, the customer is automatically referred to another nearby hotel within the Carlson family of brands. The Group's participation in the CRS therefore means that it receives referral customers from other hotels in the CRS that may be fully booked on the dates such customers have requested. Further details on the CRS are set out in section 6 of this Part I headed "Sales, marketing and public relations — Carlson Central Reservation System".

Focus on an expanding market segment

The Group is focused on hotels in the "affordable luxury" market. The Directors consider this to be an expanding segment within the hospitality industry. The Directors believe that the Group's presence in key geographic markets like London and Amsterdam with new or recently refurbished hotels in central locations at attractive rates, the Group's growing brand recognition and increasing market penetration (as demonstrated by the Group's occupancy rates) mean it is well-positioned to capture the expected future growth in this segment. In addition, the Directors believe that the Group's focus on European gateway cities will allow it to benefit from the increasing number of business and leisure travellers in Europe fuelled by the growth in low-cost air travel and the growing trend for European city breaks.

The Group currently has its strongest presence in the key European cities of London and Amsterdam. In these cities, the Group experienced RevPAR growth (in local currency) in May 2011 of 24.0 per cent. and 22.3 per cent. respectively compared with May 2010. The Directors expect the London hotel market to grow in coming years, given London's position as Europe's leading financial centre and a major tourist destination. In the mid-term, demand for hotel rooms in London is likely to strengthen further as a result of London's status as the host city for the 2012 Olympic Games and the Queen's Diamond Jubilee in 2012.

In Amsterdam, the lodging market is characterised by constraints on the supply of hotel rooms and therefore occupancy rates and RevPAR tends to be higher than for most other European cities. The Directors believe that these characteristics are unlikely to change in the near future.

The Directors expect that the lodging market in Europe will continue to grow as emerging and transitional economies continue to develop and the citizens of those countries have more disposable income allowing them to travel abroad more frequently. The continued growth in low-cost European air travel and the development of high speed rail services between major European cities is also expected to fuel growth in demand for hotel rooms from both business and leisure travellers.

9. Competition

The hotel industry is highly competitive and competition is usually specific to individual markets. The Group's hotels compete with other brands on a number of factors, including location, level of service, quality of accommodation, room rates and conference and restaurant facilities. In some markets in which the Group operates, competition includes unbranded design hotels which compete with the Group's art'otel properties. The Park Plaza Hotels & Resorts brand typically competes with the offerings of Marriott, Crowne Plaza and Hilton, among others. The Group is confident that its core strengths and strategy (further details of which are set out in sections 8 and 10 of this Part I headed "Key strengths" and "Objective and strategy", respectively) will allow it to compete successfully in its target markets.

10. Objective and strategy

The Group's objective is to become one of the leading hotel owner/operators in the full service four-star, four-star deluxe and lifestyle hotel markets in certain key European markets. It intends to make use of its established portfolio and network to increase the number of hotels and brands in its portfolio, increase profitability through diverse sources of business and cost effective management and utilise the Carlson partnership as the driver to market the Group's business and further grow revenues.

Internal growth

Management intends to grow the Group's business by implementing the following strategies for internal growth in relation to its existing hotels.

Expand the brands. Management believes that the Group's primary brands, Park Plaza Hotels & Resorts and art'otel, both have considerable development potential, particularly amongst the Group's target market of value-minded customers seeking affordable luxury. The Group intends to increase target customer awareness of its brands in Europe and in the US, as well as in emerging economies, by continuing to leverage its relationship with Carlson. This relationship allows the Group to expand brand awareness amongst target customers through participation in the CRS and customer loyalty schemes such as Club Carlson, which rewards participants for staying in Carlson family hotels, and travel agent loyalty programmes such as look to book, which rewards travel agents for booking Carlson family hotels. In addition, Management intends to increase brand awareness through targeted advertising campaigns, use of online marketing initiatives and database customer relations management tools. In addition, if attractive opportunities arise to operate existing or new hotels under other brands the Group will consider them. The Group from time to time also considers new branding concepts and may seek to implement one or more such concepts if management believes an attractive market opportunity exists.

Drive top line growth. The Group intends to increase the occupancy and average room rates in its existing hotels. In order to achieve this, the Group will seek to join further affiliation programmes with airline, car rental and other partners. The Group operates yield management systems which allow it to take account of demand both from the CRS and internet bookings in real time, thereby enabling it to maximise room rates.

Conferences, which are a large part of food and beverage revenues, are an important driver of the profitability of the Group's hotels, particularly the Park Plaza Hotels & Resorts branded hotels. Management will seek to grow revenues in this area by continuing to focus on conference trade and banqueting, as well as the continued roll-out of the Group's food and beverage branded outlets such as the Chino Latino restaurants.

The Group will also seek to grow its experienced sales and marketing team with a view to improving occupancy and average room rates in its existing hotels (for further details see section 6 of this Part I headed "Sales, marketing and public relations — In-house sales and marketing"). Management also intends to focus the Group's marketing activity on optimising the Group's revenue mix.

Maintain operational efficiency. The Group operates with an efficient corporate overhead structure which management believes can be used to service a larger portfolio. Management intends to retain this structure as the Group's portfolio grows, thereby retaining the operational flexibility required to take advantage of the opportunities which may arise both for expansion and to maximise returns from the Group's existing portfolio.

External growth

In addition to the strategies for internal growth, management intends to grow the Group's business externally by further expanding its portfolio of hotels through acquisitions, joint ventures and developments. Management intends to grow the number of rooms in the Group's portfolio by acquisition, either alone or in joint ventures with third parties. The Group has identified a number of acquisition opportunities and the Directors expect that further acquisition opportunities will arise as a result of management's extensive network of contacts. If available at attractive prices, the Group intends to acquire hotels in its target markets which will benefit from rebranding. Although the Group's strategy is to grow its business, if highly attractive opportunities arise, it may dispose of the whole or a part of its interest in a hotel.

Management also aims to use its experience of development projects, gained as a result of the Group's participation in various such projects to exploit development opportunities. The Company will also look at management, operating leases and franchise arrangements as and when they come up.

11. Reasons for the move to a standard listing on the Official List and main market for listed securities of the London Stock Exchange

Following the acquisitions made by the Company in recent years, the Directors believe that its position as an established and growing hotel owner/operator should now be reflected in the market on which the Shares are traded. Following a move to the standard listing segment of the Official List and the main market for listed securities of the London Stock Exchange, the Directors believe the liquidity in the Shares should be improved and its profile raised both domestically and internationally. The Directors believe that this improvement in liquidity and higher profile will give rise to greater funding opportunities for the Group in the future.

12. Relationship with key Shareholders

Molteno and Euro Plaza are currently, and will continue to be following Admission, the largest two Shareholders. Further details of their interests in Shares are contained in section 7 of Part VII of this document headed "Substantial Share interests".

Relationship Agreements

The Group's relationship with its two largest shareholders, Euro Plaza and Molteno, is governed by the Relationship Agreements details of which are contained in section 13.1 of Part VII of this document headed "Related party transactions — The Relationship Agreements". The trustee of the Princeton Trust, the ultimate controlling shareholder of Molteno, has agreed with Euro Plaza that for so long as their combined interests in the Company are not less than 38 per cent. and the Red Sea Group's interest in the Company is at least 26.5 per cent. of the issued share capital, the Princeton Trust will vote its Shares at general meetings of the Company in a consistent manner with the votes cast by the Red Sea Group.

Takeover Code

Euro Plaza and Molteno are deemed to be acting in concert for the purposes of Rule 9 of the Takeover Code. Together they hold more than 50 per cent. of the Company's voting rights and (for so long as they continue to be treated as acting in concert) may accordingly increase their aggregate interests in Shares without incurring any obligation under Rule 9 to make a general offer, although individual members of the concert party will not be able to increase their percentage interest in Shares through or between a Rule 9 threshold without Takeover Panel consent.

13. The Board and senior managers

The details of Directors and senior managers of the Group are set out below.

Directors

The Directors as at the date of this document are:

Eli Papouchado (73) *— Non-Executive Chairman*

Mr Papouchado is the founder of the Red Sea Group and has previously acted as the Chairman of its board for more than ten years. He has been involved in the construction, design, development, financing, acquisition and management of leading hotels in Israel and Europe, including Park Plaza Westminster Bridge London, Park Plaza Riverbank London (including Plaza on the River), Park Plaza Victoria London, Park Plaza Leeds, Park Plaza Nottingham, Park Plaza Victoria Amsterdam, the milestone Taba Hotel and many others. Mr Papouchado was also involved in the development of hundreds of thousands of square meters of retail space in shopping malls and large residential projects in the United States, Eastern Europe and the Middle East. He also served as Chairman of the Israel Hotel Association.

***Boris Ivesha (65)** — President and Chief Executive Officer*

Mr Ivesha has been in the hotel industry since 1965 after graduating from hotel school. During his career he has been the General Manager of the Royal Horseguards Hotel, London; Managing Director of the Carlton Hotel, Tel Aviv and established the Yamit Hotel, Tel Aviv in 1984, where he served as the hotel's President until its sale in 2007. In 1994 Mr Ivesha was responsible for bringing Park Plaza Hotels Europe brand to the Red Sea Group and partners. He was established as the Group's President and since then Mr Ivesha has been one of the major drivers behind the expansion of the Group's portfolio.

***Chen Moravsky (40)** — Chief Financial Officer*

Mr Moravsky was Financial Director of the Red Sea Group before joining the Group in 2005. He joined the Red Sea Group in 2001, where he gained his expertise in the hotel/leisure business and real estate investment market. Mr Moravsky was previously employed as an Audit Manager at Deloitte. Mr Moravsky is a Certified Public Accountant (ISR) and holds an MBA from The University of Manchester as well as a Bachelor of Business from the Tel Aviv College of Management.

***Kevin McAuliffe (53)** — Non-Executive Director; Senior Independent Director*

Mr McAuliffe is currently the Executive Chairman of Carey Group, having joined that business as Chief Executive in 1999. Prior to this, he was Head of Advisory Services for Paribas International Private Banking and the Managing Director of Paribas Suisse in Guernsey. Previously the Finance Director of the Ansbacher offshore banking group, he was appointed Chief Executive of Ansbacher's Guernsey bank and trust company business in 1994. From 1973 to 1980, he held posts in three different departments in the States of Guernsey. He is a Member of the Society of Trust and Estate Practitioners and a director of various regulated investment companies.

***Elisha Flax (49)** — Non-Executive Director*

Mr Flax is a real estate entrepreneur engaged in various real estate activities in Eastern Europe. He served as a Non-Executive Director of Delek Global Real Estate plc, an AIM-listed real estate company until 2010. Mr Flax was previously employed as a solicitor at the London offices of US law firms Chadbourne & Parke and Akin, Gump, Strauss, Hauer & Feld and general counsel at PlaneStation Limited. He holds an LLB degree from Keio University in Tokyo, Japan and is a qualified solicitor in England and Wales.

***Nigel Jones (49)** — Non-Executive Director*

Mr Jones has been a member of the Royal Institution of Charted Surveyors since 1989. He was the Chief Executive of ComProp Limited, an AIM listed property company based in Guernsey, between 2001 and 2007. During that period he was responsible for major office developments including Headquarter offices for Fortis, Kleinwort Benson and Generali, as well as retail stores for B&Q and one now occupied by Waitrose. Mr Jones initially worked in Southampton for Humberts dealing with the management of coastal land that formed part of the Crown Estate. Having moved to Guernsey he established the Island's first dedicated commercial property practice in 1995. His directorships include UK Care No 1 which holds leases on approx 100 BUPA care homes, Matrix Property Fund (Guernsey) limited, Threadgreen Industrial Limited and B L Management Guernsey 2011 Limited, part of The British Land Company PLC.

Senior managers

The senior managers within the Group are:

***Kurt Kuen (65)** — Senior Vice President, UK region*

Mr Kuen has been Vice President for the UK operations of Park Plaza hotels since he joined in 2000. His extensive experience in the hotel business spans more than 40 years in four different countries. He has been General Manager, amongst others, of the award winning Gosforth Park Hotel in Newcastle upon Tyne and the Tower Thistle Hotel in London.

***Guy Ivesha (32)** — Vice President, business development*

Mr Ivesha joined the Group in 2009 as Vice President of Business Development, primarily exploring growth opportunities as well as strategic partnerships for the Group. Prior to joining the Group, Mr Ivesha was the Director of Hotel Development for El-Ad Properties NY LLC, a major real estate development firm based in New York, where he oversaw the redevelopment and re-opening of The Plaza hotel. Previously, Mr Ivesha was a consultant at TRI Hospitality Consulting Ltd. Mr Ivesha holds a BSc (Hons) in International Hospitality and Tourism from the University of Surrey. Mr Ivesha is the son of Boris Ivesha.

***Inbar Zilberman (36)** — General Counsel*

Ms Zilberman joined the Group in 2010 and is in charge of legal affairs. Ms Zilberman gained extensive experience whilst at the English law firm, Berwin Leighton Paisner LLP where she was in the corporate finance group between 2004 and 2010. Prior to this, she was a partner at the Israeli law firm, Bach, Arad, Scharf & Co. Ms. Zilberman holds an LLB from Tel Aviv University and an LLM from the London School of Economics and Political Science and is qualified as a solicitor in Israel and England and Wales.

***Edwin Wijgergangs (46)** — Vice President, sales and distribution*

Mr Wijgergangs has been Vice President of Sales and Distribution of the Group since 2007, having joined the Group in 1993. He started his career in the Marketing Department of Amsterdam's Tourist Board, and later joined the Group as Sales Manager for Park Plaza Victoria Amsterdam.

***Robert Henke (33)** — Vice President, marketing and branding*

Mr Henke joined the Group in 2001 and was involved in the opening of the Group's hotels in the United Kingdom and the successful implementation of Carlson's marketing programmes. He started his career with Hilton Hotels Corporation in Los Angeles, California, where he was part of Hilton HHonors' international marketing team and has also been part of the corporate marketing team at Golden Tulip Worldwide. He holds a degree in Business Administration in Hotel Management from Hotelschool The Hague with a major in marketing.

***Jaklien van Sterkenburg (45)** — Vice President, people development and human resources*

Ms van Sterkenburg has been Vice President of People Development and Human Resources for the Group since 2007, having joined in 1995. She began her career with Sofitel The Grand Amsterdam and has worked for Accor hotels in senior sales roles. She joined the Group as Director of Sales of Park Plaza Victoria Amsterdam, and was later promoted to Regional Director of Sales. She is a graduate of the NHTV, the University for Tourism & Travel.

***Abraham Thomas (62)** — Vice President, financial control*

Mr Thomas has been with the Group since the acquisition of Park Plaza Victoria Amsterdam in 1993. At the time of the acquisition, he was Financial Controller of Park Plaza Victoria Amsterdam. Prior to this, Mr Thomas was employed by the Victoria Hotel since 1980 and has worked in all the disciplines of the Accounting Department. He has been Regional Financial Controller for The Netherlands and was subsequently promoted to Vice President of Financial Control for the Group in 2007.

***Frans Wientjes (52)** — Regional General Manager, continental Europe*

Mr Wientjes has extensive hotel experience having worked in The Amstel Intercontinental Hotel, Grand Hotel Wientjes, Gioma Restaurants, Amersfoortse Hotel Company and Bilderberg Hotel Lauswolt after graduating from hotel management school. He was previously employed as Chief Operating Officer of the Eden Hotel Group. Frans Wientjes rejoined the Group at the beginning of 2011.

14. Corporate governance and internal controls

As a company currently admitted to trading on AIM, the Company has not to date been required to comply or explain against the requirements of the Corporate Governance Code published by the Financial Report Council and does not as at the date of this document comply with all aspects of the Corporate Governance Code. The Board has, however, put in place a framework for corporate governance which enables the Company to voluntarily comply with the main requirements of the Corporate Governance Code. Following Admission the Board intends to continue to comply with the aspects of the Corporate Governance Code which the Board considers appropriate taking into account the size of the Company and nature of its business. This will not however amount to compliance with all aspects of the Corporate

Governance Code. Details of the aspects of the Corporate Governance Code from which the Company departs are set out below in this section 14 of this Part I.

The Corporate Governance Code recommends that the board of directors of a listed company should include a balance of executive and non-executive directors (and in particular independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision making. The Corporate Governance Code also recommends that the chairman should, on appointment, be independent.

The Company currently has six Directors, four of whom are non-executives (including the Chairman Eli Papouchado). Three of the Directors, Elisha Flax, Kevin McAuliffe and Nigel Jones, are regarded by the Company as being independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. This exceeds the recommendation of the Corporate Governance Code that smaller companies have at least two independent non-executive directors.

The independence of non-executive Directors is considered at least annually and is based on criteria suggested in the Corporate Governance Code, and the composition of the Board and balance between executive and non-executive Directors is kept under review. Kevin McAuliffe has an indirect 1 per cent. interest in C.L. Secretaries Limited, the Company's secretary. The Board does not however consider this interest to be sufficiently material to affect Mr McAuliffe's independence. The Company's Chairman, Eli Papouchado is the founder of the Red Sea Group (of which Euro Plaza, the Company's largest Shareholder, is a part) and was not therefore on appointment, and is not, independent of the Company. This is contrary to the recommendation of the Corporate Governance Code that the chairman be independent on appointment. However, the Board believes that Mr. Papouchado's extensive experience and knowledge of the Group's business as well as the hotel business generally justifies this departure from the recommendations of the Corporate Governance Code.

The Board has responsibility for the Group's strategic and financial policies and has a formal schedule of matters specifically reserved to it for decisions. All the Directors have access to the advice and services of the Company Secretary and General Counsel and will be able to gain access to external independent advice should they wish to do so.

An appropriate balance of executive and non-executive members of the Board will be maintained and the Board will be supplied with regular and timely information concerning the activities of the Group in order to enable it to exercise its responsibilities and control functions in a proper and effective manner.

The Corporate Governance Code recommends that the Board should appoint one of its independent non-executive Directors as Senior Independent Director and Kevin McAuliffe has been appointed to fulfill this role. The Senior Independent Director is available to Shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve or for which such contact is inappropriate.

The Board has established Nomination, Remuneration and Audit Committees, with formally delegated duties and responsibilities and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises. Each committee and each Director has the authority to seek independent professional advice where necessary to discharge their duties, in each case at the Company's expense. The Company maintains appropriate Directors' and Officers' Liability Insurance.

The Board keeps the membership of its committees under review to ensure gradual refreshing of skills and experience, and is satisfied that all Directors have sufficient time to devote to their roles and that it is not placing undue reliance on key individuals. The Directors also complete performance evaluations to ensure that the Board and its committees are operating effectively and that each Director is contributing effectively and continues to demonstrate commitment to the role.

Accordingly, except as mentioned above, the Company will on Admission comply with the provisions of the Corporate Governance Code and will report to Shareholders on compliance with the Corporate Governance Code.

Audit Committee

An Audit Committee has been established and comprises Kevin McAuliffe (Chairman), Elisha Flax and Nigel Jones and meets at least three times a year. The Audit Committee assists the Board in observing its responsibility for ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the published financial statements represent a true and fair reflection of this position. It also assists the Board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place. The Audit Committee receives information from the Company Secretary and from the external auditors. Contrary to the requirements of the Corporate Governance Code, none of the members of the Audit Committee have recent and relevant experience, which for these purposes is taken to be a professional qualification from one of the professional accounting bodies. The Board considers that the existing committee members' substantial experience of dealing with financial matters is more than adequate to enable the committee to properly discharge its duties in light of the nature of the Company's business. The Board will however keep the requirement for a Director with recent and relevant experience under review.

Remuneration Committee

A Remuneration Committee has been established and comprises Kevin McAuliffe (Chairman) and Elisha Flax. The Remuneration Committee advises the Board on an overall remuneration policy and meets at least twice a year. The Remuneration Committee also determines, on behalf of the Board, and with the benefit of advice from external consultants, the remuneration packages of the Executive Directors. The Board determines the remuneration of the Non-Executive Directors.

Nomination Committee

A Nomination Committee has been established and comprises Elisha Flax (Chairman), Nigel Jones and Kevin McAuliffe. Whenever possible, all Non-Executive Directors will be present. The Nomination Committee carries out the selection process for the appointment of candidates to the Board and proposes names for approval by the full Board.

Internal controls and risk management

The Board has overall responsibility for the Group's system of internal control and for reviewing its adequacy and effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and aims to provide reasonable but not absolute assurance against material misstatement. In order to discharge that responsibility in a manner that ensures compliance with laws and regulations and promote effective and efficient operations, the Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority.

The Audit Committee formally reviews the operation and effectiveness of the Group's internal control policies and procedures for the identification, assessment and reporting of risks. Where any significant failings or weaknesses are identified from such review, necessary actions are taken to remedy these.

Internal control procedures

The Group's internal control procedures include Board approval for all significant projects. All major expenditures require either senior management or Board approval at the appropriate stages of each transaction. A system of regular reporting covering both technical progress of projects and the state of the Group's financial affairs provides appropriate information to management to facilitate control. The Board reviews, identifies, evaluates and manages the significant risks that face the Group.

Internal audit

The Group's internal audit function reports to the Audit Committee and monitors the effectiveness of key internal controls and the adequacy of these controls to manage the business risk and to safeguard the Company's assets and resources. In order to maintain oversight as to Group policies and procedures, an independent internal auditor has been appointed and is expected to commence his duties with effect from 1 July 2011.

Share dealing code

The Company has adopted, conditional on Admission, in place of its existing share dealing code, a new code of securities dealing in relation to the Shares which is based on, and is at least as rigorous as, the Model Code as published in the Listing Rules. The new code will apply to the Directors and other relevant employees of the Group.

15. Dividend policy

As a matter of Guernsey law, any distribution of dividends will need to be in accordance with the provisions of the Companies Law. The Directors will therefore need to carry out a liquidity or cash flow test and a balance sheet solvency test before any dividend or distribution payment can be made. The test requires the Directors to make a future assessment by making reference to the solvency test being satisfied immediately after a distribution or dividend payment is made. If at the time a dividend or distribution payment is to be made, the Directors believe that the solvency test cannot be passed, then no payment may be made to the holders of Shares.

Subject to compliance with Guernsey law and the retention of proper and prudent reserves by the Company, the Board intends to recommend the payment of an annual dividend of at least 3p per Share commencing in 2012 assuming no change to the issued share capital of the Company.

16. Guernsey compulsory acquisition provisions

Under the Companies Law, if a person (the "offeror") who has made a general offer to acquire the Shares were to acquire, or unconditionally contract to acquire, within four months after the date of making that offer, not less than 90 per cent. in value of the Shares (excluding any Shares held as treasury shares) to which the offer relates, the offeror could then compulsorily acquire the remaining Shares. In order to do so, the offeror would have to send a notice to any dissenting Shareholder that it desires to acquire his Shares (a "notice to acquire") within two months after the expiration of the four month period. The offeror must, on the expiration of one month from the date of the notice to acquire, send a copy of that notice to the Company and pay or transfer to the Company the consideration required under the notice in respect of the Shares that the offeror is entitled to acquire. The consideration received by the Company is held on trust for the relevant dissenting Shareholders. The consideration offered to those Shareholders whose Shares are compulsorily acquired must be the same as the consideration that was available under the general offer.

A dissenting Shareholder may, within one month after the date of the notice to acquire, apply to the Royal Court in Guernsey to cancel that notice.

17. Effect of Guernsey domicile

The Company is a Guernsey incorporated company. Guernsey law and practice relating to companies is not the same as English law applicable to a public limited company incorporated under the 2006 Act, and a number of differences under Guernsey law exist, including the lack of statutory pre-emption rights on issues of Shares for cash. The Company has therefore incorporated pre-emption rights into the Articles. These rights may, however, be disapplied by way of an extraordinary resolution of the Company. Further details of these pre-emption rights are set out in section 5.6 of Part VII of this document headed "Memorandum and Articles — Pre-emption rights".

18. Taxation

Further information on taxation with regard to the Shares is set out in sections 14 and 15 of Part VII of this document headed "United Kingdom taxation" and "Guernsey taxation", respectively. This information also covers certain Shareholders resident in the UK. All information in relation to taxation in this document is intended only as a general guide to the current United Kingdom and Guernsey tax position. Investors in any doubt as to their tax position, or subject to tax in a jurisdiction other than the United Kingdom, should consult their independent professional adviser.

19. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Shares under the CREST system. The Shares were admitted to CREST on 17 July 2007.

Accordingly, settlement of transactions in the Shares following Admission may continue to take place within CREST if any Shareholder so wishes. However, CREST is a voluntary system and Shareholders who wish to receive and retain share certificates are able to do so.

20. Admission to a standard listing on the Official List

Application will be made for the Shares to be admitted to the standard listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is anticipated that Admission will be effective on 30 June 2011.

21. Risk factors

Prior to investing in the Shares, prospective investors should consider, together with the other information contained in this document, the factors and risks attaching to an investment in the Company including, in particular, the factors set out in the section entitled "Risk Factors" on pages 7 to 19 of this document.

22. Further information

Your attention is also drawn to the remaining parts of this document, which contains further information on the Group.

PART II

DETAILED OVERVIEW OF THE GROUP'S HOTEL PORTFOLIO AND PROJECTS

The selected and financial operating data shown in this Part II has been extracted from the Group's unaudited management accounts. Financial terms appearing in this Part II which are also used in the Company's audited consolidated financial statements set out in Part V of this document (such as revenues, gross operating profit and EBITDA) have the same meanings as in those financial statements and the relevant data has been prepared on the same basis as the corresponding data in such financial statements.

1. Current portfolio

1.1 Hotels operated by the Group with an ownership interest of 50 per cent. or more

Park Plaza Leeds

Overview

The hotel is located on the city square in the heart of Leeds and opposite the city's main train station. Park Plaza Leeds offers 185 superior and executive rooms and penthouse suites with views across the city. The Group has operated the hotel since it opened in 2003.

Hotel highlights include:

Breakdown of rooms:	• 185 rooms[(1)], including four suites, 51 executive rooms and 131 superior rooms.
Food and beverage:	• Chino Latino restaurant and bar offering modern pan-Asian cuisine with a Latin cocktail bar and Scene! Lobby bar.
Meeting space:	• 11 conference rooms, two large function rooms with audiovisual facilities, two dedicated conference floors and business centre facilities.
Other amenities:	• Fitness centre.

Notes:

(1) Excludes one room used as an office.

The Group's interest

In August 2010, the Group acquired 100 per cent. of the companies which own the freehold and intervening long leasehold interests in Park Plaza Leeds, together with a company holding associated debt.

Selected unaudited financial and operating information

	Year ended 31 December		
	Aug-Dec[(5)] 2010	2009	2008
Number of rooms and suites	185	—	—
Occupancy (%)	78%	—	—
ARR (€)	69	—	—
RevPAR (€)	54	—	—
Room revenues (€'000)	1,532	—	—
Total revenues (€'000)	2,569	—	—
Gross operating profit (€'000)[(1)]	774	—	—
Gross operating margin (%)[(2)]	*30%*	—	—
EBITDA (€'000)[(3)]	672	—	—
EBITDA margin (%)[(4)]	*26%*	—	—

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

(5) Includes information only for the period of ownership.

Park Plaza Nottingham

Overview

The hotel is located in the heart of the city, within close proximity to Nottingham's main shopping and business centres. The property is near tourist attractions such as the Robin Hood Museum, Nottingham Castle and the Caves of Nottingham. The Group has operated the hotel since it opened in 2002.

Hotel facilities include:

Breakdown of rooms:	• 178 rooms, including six suites, 70 executive rooms and 102 superior rooms.
Food and beverage:	• Chino Latino (modern pan-Asian cuisine with a Latin cocktail bar).
Meeting space:	• 12 meeting rooms.
Other amenities:	• Internet access and a fitness centre.

The Group's interest

In August 2010, the Group acquired 100 per cent. of the companies which hold a long leasehold interest (as well as associated debt) in Park Plaza Nottingham and adjoining land used for storage.

Selected unaudited financial and operating information

	Year ended 31 December		
	Aug-Dec(5) 2010	**2009**	**2008**
Number of rooms and suites	178	—	—
Occupancy (%)	67%	—	—
ARR (€)	75	—	—
RevPAR (€)	50	—	—
Room revenues (€'000)	1,361	—	—
Total revenues (€'000)	2,146	—	—
Gross operating profit (€'000)(1)	465	—	—
Gross operating margin (%)(2)	*22%*	—	—
EBITDA (€'000)(3)	318	—	—
EBITDA margin (%)(4)	*15%*	—	—

Notes:

(1) The gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

(5) Includes information only for the period of ownership.

Park Plaza Riverbank London and Plaza on the River — Club & Residence

Overview

Park Plaza Riverbank London is located on the South Bank of the River Thames opposite the Tate Britain art gallery and across the river from landmarks such as the Houses of Parliament and Big Ben. Park Plaza Riverbank London is one of the largest conference hotels in the capital. The hotel is within easy reach of London Waterloo railway station and Vauxhall underground and is in close proximity to attractions such as the Oval Cricket Ground, the London Eye, Westminster Abbey, the London Aquarium and the Imperial War Museum.

Plaza on the River — Club & Residence, which is situated within the structure of Park Plaza Riverbank London, is a five-star, all-suite luxury hotel. Although the hotel operates under its own brand name, the property is marketed via the Park Plaza Hotels & Resorts reservation system and distribution channels and participates in all loyalty and marketing programmes. The Group has operated the hotels since they opened in 2005.

Hotel facilities include:

Park Plaza Riverbank London

Breakdown of rooms:	• 394 rooms, including 276 superior rooms, 87 executive rooms and 22 junior suites and 9 suites.
Food and beverage:	• Chino Latino brasserie, bar, Club Lounge and Executive Lounge.
Meeting space:	• 21 meeting rooms, including two flexible ballrooms (with a maximum capacity of up to 900 delegates reception-style).
Other amenities:	• Flat screen televisions with satellite TV and DVD player, 60 car parking spaces, business centre and fitness centre.

Plaza on the River — Club & Residence

Breakdown of rooms:	• 66 studios and one, two and three bedroom suites ranging from 40 square metres to 140 square metres. Selected rooms offer a private balcony, overlooking the River Thames.
Food and beverage:	• A full range of food and beverage facilities offered at Park Plaza Riverbank London.
Other amenities:	• A range of luxury services such as personal shopping assistance, in-room dining for groups and arrangements for pre-stocking of groceries. • Separate check-in area and dedicated guest lifts.

The Group's interest

Prior to 31 December 2010, the Group had a 55 per cent. interest in both Park Plaza Riverbank London and the Plaza on the River — Club & Residence. The remaining 45 per cent. interest was held by Elbit. On 31 December 2010, the Group acquired Elbit's interest.

Selected unaudited financial and operating information for Park Plaza Riverbank London and Plaza on the River — Club & Residence

	Year ended 31 December		
	2010	**2009**	**2008**
Number of rooms and suites	460	460	460
Occupancy (%)	85%	83%	81%
ARR (€)	132	122	151
RevPAR (€)	112	102	123
Room revenues (€'000)(5)	10,280	9,362	11,384
Total revenues (€'000)(5)	15,573	14,831	17,438
Gross operating profit (€'000)(1)(5)	7,648	7,593	7,992
Gross operating margin (%)(2)(5)	*49%*	*51%*	*46%*
EBITDA (€'000)(3)(5)	5,162	5,536	5,691
EBITDA margin (%)(4)(5)	*33%*	*37%*	*33%*

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

(5) The financial information reflects the Group's interest in the hotels, which throughout the relevant periods was 55 per cent..

Park Plaza Sherlock Holmes London

Overview

Park Plaza Sherlock Holmes London is a lifestyle hotel, combining tradition with contemporary style which is located on Baker Street close to Baker Street Underground station, providing easy access to five main underground lines and four mainline rail stations. The hotel is within walking distance of one of London's major attractions, Madame Tussauds. Other attractions such as Oxford Street, Bond Street, Marylebone High Street, Regent's Park and Lord's Cricket Ground are all within close proximity of the hotel.

Hotel facilities include:

Breakdown of rooms:	• 119 rooms, including 70 superior rooms, 29 executive rooms, 17 loft studios and three loft suites.
Food and beverage:	• Sherlock's Grill (modern British cuisine) and Sherlock's Bar.
Meeting space:	• Seven meeting rooms with capacity for up to 80 people in reception style. The hotel provides audiovisual and technical equipment.
Other amenities:	• Gym, sauna, steam room and a beauty treatment room.

The Group's interest

Prior to 31 December 2010, the Group had a 55 per cent. interest in the company which holds a long lease of the hotel. The remaining 45 per cent. interest was held by Elbit. On 31 December 2010, the Group acquired Elbit's interest. The Group has operated the hotel since 2001.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010	**2009**	**2008**
Number of rooms and suites	119	119	119
Occupancy (%)	86%	86%	84%
ARR (€)	163	139	169
RevPAR (€)	140	120	141
Room revenues (€'000)(5)	3,360	2,862	3,384
Total revenues (€'000)(5)	4,348	3,809	4,401
Gross operating profit (€'000)(1)(5)	2,211	1,989	1,929
Gross operating margin (%)(2)(5)	*51%*	*52%*	*44%*
EBITDA (€'000)(3)(5)	1,076	1,290	1,155
EBITDA margin (%)(4)(5)	*25%*	*34%*	*26%*

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

(5) The financial information reflects the Group's interest in the hotel, which throughout the relevant periods was 55 per cent..

Park Plaza Victoria London

Overview

Park Plaza Victoria London is conveniently located minutes away from Victoria Underground and National Rail station, providing easy access to the Gatwick Express for Gatwick Airport. The hotel is within walking distance of some of London's major tourist attractions, including Buckingham Palace, Harrods, Westminster Abbey, West End theatres and Hyde Park.

Hotel facilities include:

Breakdown of rooms:	• 299 rooms, including suites, studio rooms, executive rooms and 12 one and two bedroom apartments.
Food and beverage:	• JB's restaurant (modern European cuisine) and JB's Bar.
Meetings space:	• 15 flexible conference rooms, a ballroom accommodating up to 750 people in cocktail style and a private board room.
Other amenities:	• Car park (up to 26 vehicles), a business centre, executive lounge and an executive health club featuring a steam room, sauna and cardiovascular equipment.

The Group's interest

Prior to 31 December 2010, the Group had a 50 per cent. interest in the company which owns the freehold of the hotel. The remaining 50 per cent. interest was held by Elbit. On 31 December 2010, the Group acquired Elbit's interests. The Group has operated the hotel since 2001.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010	**2009**	**2008**
Number of rooms and suites	299	299	299
Occupancy (%)	88%	87%	85%
ARR (€)	149	135	158
RevPAR (€)	131	118	135
Room revenues (€'000)(5)	7,123	6,426	7,376
Total revenues (€'000)(5)	10,170	10,382	11,433
Gross operating profit (€'000)(1)(5)	5,031	5,622	5,366
Gross operating margin (%)(2)(5)	*49%*	*54%*	*47%*
EBITDA (€'000)(3)(5)	3,930	4,552	4,265
EBITDA margin (%)(4)(5)	*39%*	*44%*	*37%*

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

(5) The financial information reflects the Group's interest in the hotel, which throughout the relevant periods was 50 per cent..

Park Plaza Westminster Bridge London

Overview

This prestigious flagship hotel partially opened to paying guests in March 2010, with a full opening in September 2010. Located on London's popular South Bank, this hotel is a landmark in the capital. It offers views of Big Ben and the Houses of Parliament. The hotel offers fine dining at its 200 seat signature restaurant, Brasserie Joël, run by acclaimed chef Joël Antunes, as well as a 30 seat sushi restaurant. The hotel's operating performance since opening has been strong and customer satisfaction feedback has been consistently high.

Hotel facilities include:

Breakdown of rooms:	• 1,019 rooms including 511 studio rooms, 444 one bedroom suites, 52 deluxe and business suites, 8 presidential suites and 4 penthouses.
Food and beverage:	• Brasserie Joël, the hotel's signature restaurant, Ichi Sushi & Sashimi restaurant, 1WB Lounge, Primo bar and Illy Espressamente.
Meeting space:	• 31 flexible conference rooms, board rooms and a grand ballroom with capacity for up to 1,400 people theatre style.
Other amenities:	• A business centre, executive lounge, health club including a steam room, sauna and cardiovascular equipment, a Jacuzzi and swimming pool, and the Mandara spa facility.

The Group's interest

In June 2005, the Group acquired a 33.3 per cent. interest in Marlbray, the owner of the freehold of the site on which Park Plaza Westminster Bridge London is located. In February 2008, the Group acquired the remaining 66.7 per cent. of the issued share capital of Marlbray. Accordingly, the Group owns a 100 per cent. interest in the holding company of the hotel.

As at the date of this document, 535 of the 1,019 rooms at Park Plaza Westminster Bridge London had been sold to third party investors. The remainder of the units and the public area facilities are owned by the Group. For further details of the Group's interest in this hotel see section 2 of Part IV of this document headed "Types of hotel operations — Hotels operated by the Group with an ownership interest of 50 per cent. or more". The Group has operated this hotel since it opened in 2010.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010(5)	2009	2008
Number of rooms and suites	1,019	—	—
Occupancy (%)	79%	—	—
ARR (€)	144	—	—
RevPAR (€)	114	—	—
Room revenues (€'000)	32,814	—	—
Total revenues (€'000)	46,764	—	—
Gross operating profit (€'000)(1)	19,394	—	—
Gross operating margin (%)(2)	*41%*	—	—
EBITDA (€'000)(3)	13,354	—	—
EBITDA margin (%)(4)	*29%*	—	—

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

(5) The hotel opened to paying guests in March 2010, with a full opening in September 2010.

Park Plaza Amsterdam Airport

Overview

Park Plaza Amsterdam Airport is located close to Amsterdam Schiphol Airport. The hotel has over 1,800 square meters of flexible meeting space.

Hotel facilities include:

Breakdown of rooms:	• 342 rooms, including 290 superior rooms and 52 executive rooms.
Food and beverage:	• Brasserie Leeghwater, Grand Café and The Waterwolf Bar.
Meeting space:	• 19 conference rooms accommodating up to 800 delegates and six smaller business suites.
Other amenities:	• Internet access, 320 car parking spaces and free private shuttle to airport.

The Group's interest

The Group owns 50 per cent. of the entity which holds the freehold interest in this hotel. The remaining 50 per cent. interest is held by Elbit. The Group has operated the hotel since April 2010, when it jointly acquired the property with Elbit.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010(6)	2009	2008
Number of rooms and suites	342	—	—
Occupancy (%)	55%	—	—
ARR (€)	55	—	—
RevPAR (€)	30	—	—
Room revenues (€'000)(5)	1,419	—	—
Total revenues (€'000)(5)	2,448	—	—
Gross operating profit (€'000)(1)(5)	470	—	—
Gross operating margin (%)(2)(5)	*19%*	—	—
EBITDA (€'000)(3)(5)	301	—	—
EBITDA margin (%)(4)(5)	*12%*	—	—

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues

(5) The financial information reflects the Group's interest in the hotel, which throughout the relevant periods has been 50 per cent..

(6) The Group acquired the hotel in April 2010.

Park Plaza Victoria Amsterdam

Overview

This landmark hotel is located in Amsterdam's shopping and business centre, opposite the main train station, close to Dam Square, the Royal Palace and other city landmarks. The hotel is a 15 minute train ride from Amsterdam Schiphol Airport and its central location and proximity to the railway station make it easily accessible by public transport. Park Plaza Victoria Amsterdam has been classified as a protected monument/listed building. Originally built in 1633, as the residence of a wealthy merchant, plans to convert it into a hotel date back as far as 1882.

At present, Park Plaza Victoria Amsterdam comprises three main sections, which are separate buildings that are inter-linked. In early 2011, one section of the hotel (the Garden Wing) was renovated with all rooms (164), corridors, meeting rooms and public areas completely refurbished. The total cost of the renovation in 2011 was approximately €3.8 million of which the Group's share was €1.9 million.

Hotel facilities include:

Breakdown of rooms:	• 306 rooms, including 235 superior rooms, 48 executive rooms, 23 deluxe suites.
Food and beverage:	• Vic's Terrace and Brasserie, Seasons Garden Restaurant, Tasman Bar and Lobby Lounge.
Meeting space:	• 11 conference rooms with a range of capacities from ten to 150 people equipped with audio-visual conferencing facilities, a business centre, ISDN and analogue telephone lines.
Other amenities:	• In-room internet access, in-house movies, gym, beauty salon, heated indoor swimming pool, sauna, a Turkish steam bath and solarium.
	• Retail outlets including a currency exchange shop and other local retailers.

The Group's interest

The Group and Elbit jointly acquired the hotel in 1993 as part of a bankruptcy procedure. The Group owns 50 per cent. of the entity which holds the freehold interest in this property. The remaining 50 per cent. interest is held by Elbit. The Group has operated the hotel since 1993.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010	2009	2008
Number of rooms and suites	306	306	306
Occupancy (%)	91%	92%	95%
ARR (€)	132	122	148
RevPAR (€)	119	113	140
Room revenues (€'000)(5)	6,652	6,296	7,824
Total revenues (€'000)(5)	9,407	9,113	10,746
Gross operating profit (€'000)(1)(5)	3,924	3,366	4,631
Gross operating margin (%)(2)(5)	*42%*	*37%*	*43%*
EBITDA (€'000)(3)(5)	3,414	2,698	3,817
EBITDA margin (%)(4)(5)	*36%*	*30%*	*36%*

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

(5) The financial information reflects the Group's interest in the hotel, which throughout the relevant periods has been 50 per cent..

Park Plaza Vondelpark, Amsterdam

Overview

This hotel is located in the "Koninginneweg", one of the most affluent areas of Amsterdam.

The hotel, which offers views over the city's Vondelpark, is divided into three separate buildings (two of which are physically connected). A major refurbishment programme commenced in 2007 and was completed in 2010 at a total cost of €3.7 million. This refurbishment included a significant part of the rooms, the public areas, breakfast room, conference area and a new wine bar & lounge which has been added.

Hotel facilities include:

Breakdown of rooms:	• 138 rooms, including 97 superior, 32 executive, four business suites, four deluxe suites and one penthouse apartment.
Food and beverage:	• V-BAR Wine bar & lounge and breakfast restaurant.
Meeting space:	• Four meeting rooms that can accommodate up to 160 delegates and a restaurant that may be used as a conference venue for up to 80 people. Audiovisual and technological equipment is also available.
Other amenities:	• Free internet access in the lobby and a laundry service.

The Group's interest

The Group has operated the hotel since January 2006, when it acquired a 100 per cent. interest in the freehold of this property.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010	2009	2008
Number of rooms and suites	138	138	138
Occupancy (%)	77%	80%	85%
ARR (€)	97	87	102
RevPAR (€)	74	69	86
Room revenues (€'000)	3,723	3,415	4,107
Total revenues (€'000)	4,384	4,043	4,661
Gross operating profit (€'000)(1)	1,957	1,914	2,108
Gross operating margin (%)(2)	*45%*	*47%*	*45%*
EBITDA (€'000)(3)	1,579	1,557	1,687
EBITDA margin (%)(4)	*36%*	*38%*	*36%*

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

Park Plaza Eindhoven

Overview

Park Plaza Eindhoven is located in the heart of Eindhoven within a five minute ride of the main train station and a ten minutes ride away from the airport. Park Plaza Eindhoven is a purpose-built building arranged in two connecting five-storey buildings, and is conveniently situated near various shops, bars, restaurants and the Eindhoven business district.

Between 2008 and 2011, this hotel was completely modernised and renovations included all rooms, the breakfast room, public areas, meeting rooms, the leisure facilities and the addition of a new ELITE bar & lounge facility. The total investment was €2.8 million.

Hotel facilities include:

Breakdown of rooms:	• 104 rooms, including 92 executive rooms, ten business suites and two deluxe suites.
Food and beverage:	• ELITE bar & lounge and three outsourced restaurants featuring cuisines from the Far East.
Meeting space:	• Conference rooms accommodating up to 260 people.
Other amenities:	• Indoor swimming pool, internet access, a leisure club and car parking.

The Group's interest

The Group has operated the hotel since 1989, when it acquired 100 per cent. of the freehold interest in the property.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010	2009	2008
Number of rooms and suites	104	104	104
Occupancy (%)	78%	79%	86%
ARR (€)	91	91	103
RevPAR (€)	71	71	88
Room revenues (€'000)	2,638	2,652	3,182
Total revenues (€'000)	3,671	3,664	4,258
Gross operating profit (€'000)(1)	1,381	1,444	1,917
Gross operating margin (%)(2)	*38%*	*39%*	*45%*
EBITDA (€'000)(3)	1,120	1,173	1,582
EBITDA margin (%)(4)	*31%*	*32%*	*37%*

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

Park Plaza Utrecht

Overview

This hotel is located near the city's main train station, within walking distance from the exhibition centre "De Jaarbeurs", the historic city centre and shopping facilities. Utrecht is the fourth largest city in The Netherlands and, being the main connecting hub for ground transportation across the country, represents a good business venue for meetings and conferences. To this end, an entire floor of Park Plaza Utrecht (which is arranged over nine levels) has been devoted to meeting rooms and conference space with full audio-visual equipment.

Hotel facilities include:

Breakdown of rooms:	• 120 rooms, including 80 superior rooms and 40 executive rooms.
Food and beverage:	• Plein 50 restaurant, bar and brasserie.
Meeting space:	• Ten conference rooms and one executive boardroom accommodating from two to 170 delegates. An on-site full-serviced business centre is also available.
Other amenities:	• In-room internet access through the television system, sauna and fitness room. Private parking is also available at a charge (up to 70 vehicles).

The Group's interest

The Group owns 50 per cent. of the entity which holds the long leasehold interest in this hotel. The remaining 50 per cent. interest is held by Elbit. The Group has operated the hotel since 1995, when it jointly acquired the property with Elbit.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010	**2009**	**2008**
Number of rooms and suites	120	120	120
Occupancy (%)	*77%*	*73%*	*80%*
ARR (€)	106	108	118
RevPAR (€)	82	79	95
Room revenues (€'000)(5)	1,795	1,740	2,015
Total revenues (€'000)(5)	2,938	2,958	3,279
Gross operating profit (€'000)(1)(5)	1,429	1,339	1,544
Gross operating margin (%)(2)(5)	*49%*	*45%*	*47%*
EBITDA (€'000)(3)(5)	1,192	1,046	1,287
EBITDA margin (%)(4)(5)	*41%*	*35%*	*39%*

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

(5) The financial information reflects the Group's interest in the hotel, which throughout the relevant periods has been 50 per cent..

1.2 Hotels operated under operating leases

art'otel berlin city center west

Overview

art'otel berlin city center west is dedicated to the work of Andy Warhol, as well as Christopher Makos, renowned for photographing Andy Warhol with many of his celebrity friends. The rooms feature a lime green and violet colour scheme, combined with white maple wood.

In the second half of 2010, work commenced to extend the hotel. This 61 room extension is expected to include refurbishment of the ground floor with extension of the restaurant, the addition of two meeting rooms and a wellness centre. The extension is scheduled to be completed in the first quarter of 2012.

Hotel facilities include:

Breakdown of rooms:	• 91 rooms, including four art suites, 74 superior rooms, 13 executive rooms.
Food and beverage:	• Factory restaurant and bar.
Meeting space:	• Flexible meeting rooms.
Other amenities:	• Features original Andy Warhol artwork, a fitness room and secure car park.

The Group's interest

The Group's operating lease runs until 2029.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010	**2009**	**2008**
Number of rooms and suites	91	91	91
Occupancy (%)	*68%*	*73%*	*72%*
ARR (€)	71	63	71
RevPAR (€)	49	46	51
Room revenues (€'000)	1,615	1,528	1,685
Total revenues (€'000)	1,942	1,867	2,074
Gross operating profit (€'000)(1)	712	635	807
Gross operating margin (%)(2)	*37%*	*34%*	*39%*
EBITDA (€'000)(3)	(113)	(241)	(332)
EBITDA margin (%)(4)	*(6%)*	*(13%)*	*(16%)*

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

art'otel berlin kudamm

Overview

art'otel berlin kudamm, a three-star hotel, is located on the Joachimstaler Strasse in the heart of Berlin. The hotel is within close proximity to the Kaiser Wilhelm Memorial Church and boulevard "Kudamm", including one of Europe's biggest department stores, the KaDeWe. Displayed throughout the art'otel berlin kudamm are original works from the Fluxus artist Wolf Vostell, with his signed lithographic works on display in the rooms. Wolf influenced the design of the rooms themselves. Interior decorations include works from Phillipe Stark and Arne Jacobsen.

Hotel facilities include:

Breakdown of rooms:	• 133 rooms, including 61 economy rooms, 58 superior rooms and 14 executive rooms.
Food and beverage:	• Breakfast restaurant and lounge.
Meeting space:	• Two meeting rooms and seven breakout rooms.
Other amenities:	• Guest laundry service.

The Group's interest

The Group's operating lease runs until 2031.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010	**2009**	**2008**
Number of rooms and suites	133	133	133
Occupancy (%)	*76%*	*70%*	*65%*
ARR (€)	57	53	60
RevPAR (€)	43	37	39
Room revenues (€'000)	2,100	1,809	1,897
Total revenues (€'000)	2,637	2,311	2,379
Gross operating profit (€'000)(1)	1,008	814	970
Gross operating margin (%)(2)	*38%*	*35%*	*41%*
EBITDA (€'000)(3)	(476)	(636)	(531)
EBITDA margin (%)(4)	*(18%)*	*(28%)*	*(18%)*

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

art'otel berlin mitte

Overview

art'otel berlin mitte, located in the heart of Berlin's historic centre, combines the historic Ermelerhaus and modern architecture. Reminiscent of an art gallery, the hotel is dedicated to Georg Baselitz, one of the most famous contemporary German artists. art'otel berlin mitte has banqueting facilities, meeting rooms and modern, spacious rooms, including suites and art suites.

In 2008, the hotel rooms, public areas and conference rooms underwent a refurbishment with a total capital expenditure of €700,000.

Hotel facilities include:

Breakdown of rooms:	• 109 rooms, including 10 art suites, four suites and 95 superior rooms.
Food and beverage:	• Factory restaurant and bar.
Meeting space:	• Two meeting rooms and a business centre.
Other amenities:	• Banquet facilities in the Ermelerhaus.

The Group's interest

The Group's operating lease runs until 2031.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010	**2009**	**2008**
Number of rooms and suites	109	109	109
Occupancy (%)	*75%*	*73%*	*73%*
ARR (€)	89	78	83
RevPAR (€)	67	57	60
Room revenues (€'000)	2,652	2,261	2,406
Total revenues (€'000)	3,465	3,066	3,199
Gross operating profit (€'000)(1)	1,497	1,209	1,330
Gross operating margin (%)(2)	*43%*	*39%*	*42%*
EBITDA (€'000)(3)	76	(104)	(74)
EBITDA margin (%)(4)	*2%*	*(3%)*	*(2%)*

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

Park Plaza Prenzlauer Berg Berlin

Overview

Park Plaza Prenzlauer Berg Berlin is located in Berlin's "Neue Mitte", next to the Berlin Arena and the European swimming hall. The lobby area and ground floor of the hotel were remodelled completely in 2007 which, amongst other changes, included a new street-front restaurant and bar.

Hotel facilities include:

Breakdown of rooms:	• 155 rooms, including seven business suites, seven suites, 113 superior rooms and 28 executive rooms.
Food and beverage:	• Mix Espresso Gourmet Restaurant & Bar.
Meeting space:	• Three flexible conference rooms.
Other amenities:	• Internet access, laundry service and car parking.

The Group's interest

The Group's operating lease runs until 2018, with a two year renewal option.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010	2009	2008
Number of rooms and suites	155	155	155
Occupancy (%)	73%	74%	72%
ARR (€)	48	44	52
RevPAR (€)	35	32	38
Room revenues (€'000)	1,951	1,828	2,133
Total revenues (€'000)	2,525	2,461	2,865
Gross operating profit (€'000)(1)	628	585	932
Gross operating margin (%)(2)	*25%*	*24%*	*33%*
EBITDA (€'000)(3)	(140)	(166)	13
EBITDA margin (%)(4)	(6%)	(7%)	0%

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

Park Plaza Wallstreet Berlin

Overview

Park Plaza Wallstreet Berlin is a contemporary four-star deluxe hotel situated in the heart of Berlin's historic centre close to "Alexanderplatz" and the "Reichstag" (German parliament building). The hotel, resulting from the conversion of a bank/office building, boasts superior and executive rooms along with suites and meeting room facilities. The 50-seat auditorium is a special feature of the hotel, which makes Park Plaza Wallstreet Berlin a suitable venue for movie premieres, product launches and other special events.

Hotel facilities include:

Breakdown of rooms:	• 167 rooms, including eight suites, 117 superior rooms and 42 executive rooms.
Food and beverage:	• Restaurant, bar and lounge & terrace.
Meeting space:	• One top floor boardroom and two meeting rooms.
Other amenities:	• 50 seat auditorium, internet access and a fitness centre.

The Group's interest

The Group's operating lease runs until 2025, with two five year renewal options.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010	2009	2008
Number of rooms and suites	167	167	167
Occupancy (%)	82%	77%	78%
ARR (€)	81	71	81
RevPAR (€)	66	55	63
Room revenues (€'000)	4,039	3,326	3,877
Total revenues (€'000)	5,311	4,511	5,199
Gross operating profit (€'000)(1)	2,224	1,824	2,292
Gross operating margin (%)(2)	*42%*	*40%*	*44%*
EBITDA (€'000)(3)	158	(268)	252
EBITDA margin (%)(4)	*3%*	*(6%)*	*5%*

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

art'otel budapest

Overview

art'otel budapest is centrally located on the Danube river in Hungary, opposite the world famous Parliament. art'otel budapest is characterised by the works of Donald Sultan, a world renowned contemporary American artist. Similar to that of an art gallery, an exhibition of his artworks is on display in the public areas of the hotel and in every room. The art'otel integrates four baroque townhouses restored to their original splendour.

Renovation of the hotel is ongoing for the refurbishment of 81 rooms and public areas and the total expenditure will be approximately €600,000.

Hotel facilities include:

Breakdown of rooms:	• 165 rooms, including nine art suites, 149 superior rooms and seven executive rooms.
Food and beverage:	• Chelsea restaurant, Domino café and terrace.
Meeting space:	• Flexible meeting rooms and a business centre.
Other amenities:	• Fitness centre, sauna, beauty parlour and an art shop.

The Group's interest

The Group's operating lease runs until 2020.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010	**2009**	**2008**
Number of rooms and suites	165	165	165
Occupancy (%)	67%	70%	79%
ARR (€)	57	65	80
RevPAR (€)	38	45	64
Room revenues (€'000)	2,295	2,726	3,858
Total revenues (€'000)	3,190	3,537	5,101
Gross operating profit (€'000)(1)	990	1,455	2,433
Gross operating margin (%)(2)	*31%*	*41%*	*48%*
EBITDA (€'000)(3)	673	(1,179)	(367)
EBITDA margin (%)(4)	*21%*	*(33%)*	*(7%)*

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

art'otel cologne

Overview

art'otel cologne is a new-build art'otel which opened in March 2010. Located in the prestigious Rheinauhafen development of Cologne, next to the Chocolate Museum, this riverside art'otel is within walking distance of Cologne's historic city centre.

In keeping with the tradition of the art'otel concept, art'otel cologne features art from a contemporary artist SEO, a young Korean-borne master pupil of German artist Georg Baselitz, was selected as the signature artist.

Hotel facilities include:

Breakdown of rooms:	• 218 rooms, including 10 suites, 21 executive rooms and 187 superior rooms.
Food and beverage:	• A multi-purpose ground floor with Chino Latino restaurant, a bar and terrace overlooking the Rhine River.
Meeting space:	• Multi-functional meeting rooms, all with natural daylight.
Other amenities:	• Underground parking.

The Group's interest

The Group's operating lease runs until 2030.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010	**2009**	**2008**
Number of rooms and suites	218	—	—
Occupancy (%)	56%	—	—
ARR (€)	87	—	—
RevPAR (€)	49	—	—
Room revenues (€'000)	3,112	—	—
Total revenues (€'000)	4,493	—	—
Gross operating profit (€'000)(1)	1,216	—	—
Gross operating margin (%)(2)	*27%*	—	—
EBITDA (€'000)(3)	22	—	—
EBITDA margin (%)(4)	*0.5%*	—	—

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

art'otel dresden

Overview

art'otel dresden offers a unique opportunity to experience the combination of original art, hospitality and unique hotel design. The art'otel's entire art collection features the work of A.R. Penck, a local Dresden artist, and the interior was created by the Milanese designer, Denis Santachiara.

Hotel facilities include:

Breakdown of rooms:	• 174 rooms, including seven art suites, 150 twin rooms and 17 single rooms.
Food and beverage:	• Factory Restaurant and Bar and Mix Espresso Gourmet café.
Meeting space:	• Flexible meeting rooms.
Other amenities:	• Art gallery with conference facilities with capacity for up to 600 people. A health club with a gym, sauna and solarium is also available.

The Group's interest

The Group's operating lease runs until 2031 with a five year renewal option by mutual agreement.

Selected unaudited financial and operating information

	Year ended 31 December		
	2010	**2009**	**2008**
Number of rooms and suites	174	174	174
Occupancy (%)	70%	72%	68%
ARR (€)	66	61	68
RevPAR (€)	46	44	46
Room revenues (€'000)	2,893	2,764	2,954
Total revenues (€'000)	4,137	4,093	4,328
Gross operating profit (€'000)(1)	1,485	1,493	1,768
Gross operating margin (%)(2)	*36%*	*36%*	*41%*
EBITDA (€'000)(3)	(343)	(368)	(126)
EBITDA margin (%)(4)	*(8%)*	*(9%)*	*(3%)*

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as Gross operating profit divided by total revenues.

(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(4) EBITDA margin is calculated as EBITDA divided by total revenues.

1.3 Hotels managed with a minority or no ownership interest

Arenaturist Group

Overview

As at the date of this document, the Arenaturist Group consists of eight hotels and five apartment complexes and have ownership interests in eight campsites in Istria, Croatia.

In aggregate, the Arenaturist Group has a capacity of 3,474 accommodation units (excluding camping lots), of which 2,868 are rooms in the hotels and apartment complexes and 606 are mobile homes and an additional capacity of camping lots of 1,717,616 square metres in total. In addition, the Arenaturist Group has numerous food and beverage hospitality units and shops and retail leases and caters primarily to tourists. Accordingly, the majority of the accommodation is only operational during the summer season.

All properties are located close to the sea and are only a short distance from the tourist centres of Pula and Medulin.

The Group's interest in the Arenaturist Group

In April 2008, Euro Sea acquired 20 per cent. of the shares of Bora, and the Company acquired related debt, from a group of real estate investment funds. Bora, in turn, owns approximately 74 per cent. of Arenaturist and 100 per cent. of three private companies. These companies together own the hotels and apartment complexes and have ownership interests in the campsites within the Arenaturist Group.

Pula

The city of Pula is situated at the very south of the Istrian peninsula and is a popular destination with tourists and families. It has a pleasant climate and a highly varied coastline. The landscape offers well maintained beaches, pebbled coves and wild rocky shores as well as tame inland landscape.

The properties owned by the Arenaturist Group situated in or around Pula are the following:

Guest House Riviera

The baroque-style Guest House Riviera was built at the end of the 19th century and is located in the historic town of Pula, close to the Roman Amphitheatre.

Hotel facilities include:

Breakdown of rooms:	• 67 rooms.
Food and beverage:	• Restaurant & bar Riviera.
Meeting space:	• Meeting room for up to 50 delegates.

Horizont Resort

Horizont Resort is spread out along the peninsula's rocky coast line and descends to sea level.

Resort facilities include:

Breakdown of rooms:	• 223 apartments.
Food and beverage:	• Restaurant Golden Rocks, Pool bar & restaurant, Restaurant Tamaris, snack bar Centar.
Other amenities:	• Parking, shops, two outdoor (saltwater) swimming pools, renovated sports centre with fitness studio. Internet corner and animation for children and adults.

Splendid Resort

Splendid Resort is located in the same area as Horizont Resort. The majority of the resort's apartments look out over the sea and Pula's Lungomare (seaside promenade).

Resort facilities include:

Breakdown of rooms:	• 218 apartments.
Food and beverage:	• Same facilities as Horizont Resort.
Other amenities:	• Same facilities as Horizont Resort.

Hotel Brioni

Hotel Brioni is a two-star hotel located in a prime location, directly on the sea front. The hotel, which is located close to Verudela Beach and Villas Resort and Hotel Park, is surrounded by lush vegetation.

Hotel facilities include:

Breakdown of rooms:	• 210 rooms, 12 junior apartments and six apartments.
Food and beverage:	• Restaurant Brioni and beach bar.
Meeting space:	• Meeting room for up to 200 delegates.
Other amenities:	• Parking, shops, free Wi-Fi in public areas, decked terrace with outdoor (saltwater) swimming pool, heated indoor swimming pool, whirlpool, sauna and massage. Guests also benefit from the same sports and entertainment facilities as described for Hotel Histria (see below).

Hotel Histria

The three-star Hotel Histria is open year-round and occupies a stunning position, at the tip of a small land outcrop, overlooking the Adriatic. The hotel is located in the same area as the Punta Verudela Resort and Hotel Palma.

Hotel facilities include:

Breakdown of rooms:	• 233 rooms and nine suites. 23 Executive rooms have recently been created, providing a contemporary room product with Wi-Fi, flat screen TV and mini bar.
Food and beverage:	• Restaurant Histria, Taverna, Yacht Club, Lobby & Piano bar.
Meeting space:	• Conference room with space for up to 700 delegates and four smaller meeting rooms (30–100 delegates), press room and audiovisual equipment.
Other amenities:	• Parking, shops, free Wi-Fi in public areas, decked terrace with outdoor (saltwater) swimming pool, heated indoor swimming pool, sauna, fitness, massage and cosmetic treatments area, hairdressing salon, night bar, casino, Aquarium. Sports & entertainment facilities including tennis, indoor football, handball, basketball, volleyball, beach volleyball, squash, miniature golf, diving centre with a diving school, water sports, bicycle rental, table tennis, shooting range. Daily and evening animation for children and adults.

Hotel Palma

The three-star Hotel Palma is located adjacent to Hotel Histria and overlooks the Verudela channel in which the marina and harbour are located.

Hotel facilities include:

Breakdown of rooms:	• 132 rooms.
Food and beverage:	• Restaurant & Bar Palma.
Other amenities:	• Parking, shops, sports and entertainment facilities shared with Hotel Histria.
	• Three outdoor swimming pools and a water slide shared with the nearby Punta Verudela Resort (see below).

Hotel Park

Hotel Park is a three-star hotel also located in the same area as Hotel Brioni and Verudela Beach and Villas Resort.

Hotel facilities include:

Breakdown of rooms:	• 134 rooms, six junior apartments and seven apartments.
Food and beverage:	• Restaurant Park.
Other amenities:	• Parking, shops, free Wi-Fi in public areas, outdoor (saltwater) swimming pool and guests enjoy the same sports and entertainment facilities as described for Hotel Histria.

Punta Verudela Resort

Located in the same area as Hotel Histria and Hotel Palma, the Punta Verudela Resort occupies a prime seaside location. In lush, green surroundings, with hiking and cycling tracks around the property, this resort is located only 100 metres from the beach.

Resort facilities include:

Breakdown of rooms:	• 422 apartments for two to eight people. Apartments include bedroom(s), living area, bathroom and kitchen.
Food and beverage:	• Restaurant Punta Verudela, Restaurant Boškarin, beach bar, pool bar & Restaurant Oliva, Pizzeria, pastry shop, Lounge & Beach bar Ambrella.
Other amenities:	• Parking, shops, free Wi-Fi in public areas, three outdoor (saltwater) swimming pools and a water slide. Guests can use all sports and entertainment facilities that have been described as part of Hotel Histria.

Verudela Beach & Villas Resort

Located in close proximity to the beach, and surrounded by pinewood and lush vegetation, Verudela Beach & Villas Resort has 194 accommodation units, consisting of modern villas and apartments, many of which have attractive views of the Adriatic.

Resort facilities include:

Breakdown of rooms:	• 174 air conditioned apartments for four to eight people and 20 villas for two–six people.
Food and beverage:	• Benefits from the same food & beverage outlets as Punta Verudela Resort.
Other amenities:	• Parking, shops, free Wi-Fi in public areas and guests can use the swimming pools from Punta Verudela Resort and enjoy the same sports & entertainment facilities as described for Hotel Histria.

Medulin

Located 10 km from Pula, Medulin is a popular tourist destination. Medulin offers a range of cultural events and folk entertainment throughout the year and is a good base from which to explore the Istrian peninsula.

The properties owned by the Arenaturist Group situated in or around Medulin are the following:

Hotel Medulin

Hotel Medulin is a modern four-star hotel located in close proximity to the beach.

Hotel facilities include:

Breakdown of rooms:	• 178 rooms and 12 apartments.
Food and beverage:	• Restaurant Medulin, pool bar.
Meeting space:	• Meeting room for up to 120 delegates.
Other amenities:	• Parking, shops, free Wi-Fi in public areas, two outdoor (saltwater) swimming pools, terrace, massage salon, refurbished fitness club. Extensive sports and entertainment facilities including six grass football pitches, tennis, indoor football, handball, volleyball, beach volleyball, running track, throwing areas, table tennis, water sports, bicycle rental, hiking tracks, horseback riding, surfing, diving centre with a diving school and daily entertainment for children and adults.

Ai Pini Resort

Located near Medulin town, Ai Pini Resort is only 200 metres from the sea.

Resort facilities include:

Breakdown of rooms:	• 64 rooms.
Other amenities:	• Guests can use the facilities offered by the nearby Hotel Medulin.

Hotel Belvedere

Hotel Belvedere is a two-star, sports-orientated hotel and is located only 50 metres from the beach.

Hotel facilities include:

Breakdown of rooms:	• 450 rooms.
Food and beverage:	• Restaurant Belvedere, pool bar, Restaurant Lungo Mare.
Meeting space:	• Meeting room.
Other amenities:	• Parking, shops, free Wi-Fi in public areas, two outdoor (saltwater) swimming pools, heated indoor swimming pool, sauna, massage and fitness. Guests can enjoy the same sports and entertainment facilities as described for Hotel Medulin (see above).

Hotel Holiday

Located close to Bijeca beach, this three-star hotel offers views across the Adriatic and several of the south Istrian islands and peninsulas.

Hotel facilities include:

Breakdown of rooms:	• 192 rooms.
Food and beverage:	• Restaurant Holiday, pool bar.
Other amenities:	• Free Wi-Fi in public areas, parking, shops, two outdoor (saltwater) swimming pools and the same sports and entertainments facilities as described for Hotel Medulin (see above).

Campsites

The Arenaturist Group also has ownership interests in eight campsites located in Pula, Medulin, Premantura and Banjole. All these campsites are operated by the Group, with the exception of one campsite which is currently not in operation.

Camp Kažela

Camp Kažela is located in close proximity to the centre of Medulin and the beach and has excellent views of Medulin bay, several islands and Cape Kamenjak.

Property facilities include:

Apartments:	• 99 apartments.
Lots:	• Pitches of 691,809 square metres in total.
Mobile homes:	• 176 mobile homes of 22 square metres with air conditioning, a terrace and parking facilities.
Food & beverage:	• Several restaurants, bars, pizzeria.
Other amenities:	• Market, exchange office, souvenir shop, newsstand, sports courts, beach volleyball, tennis, badminton, mini golf, table tennis, water sports, windsurf, diving centre, children's games and entertainment.

Indije Camp & Mobile Homes

Camp Indije is located on a wooded peninsula which is close to the town of Banjole.

Property facilities include:

Lots:	• Pitches of 145,223 square metres in total.
Mobile homes:	• 72 mobile homes of 24 square metres, with air conditioning, a terrace and private parking.
Food & beverage:	• Two restaurants.
Other amenities:	• Market, news stand, exchange office, children's playground, rental of boats, pedal boats and bicycles, diving centre and entertainment.

Medulin Camp & Mobile Homes

Located on two peninsulas close to Medulin, Medulin Camp offers views of the sea and islands and occupies an area of 30 hectares.

Property facilities include:

Lots:	• Pitches of 265,506 square metres in total.
Mobile homes:	• 121 mobile homes (for up to five people), with air conditioning, a terrace and private parking.
Food & beverage:	• Several restaurants and bars.
Other amenities:	• Market, exchange office, souvenir shop, news stand, surfing school, small boat rental, rental of bicycles and pedal boats, other water sports, tennis, volleyball, mini-golf, daily and evening entertainment for children, discotheque.

Pomer Camp

Pomer Camp is located near the fishing village of Pomer.

Property facilities include:

Lots:	• Pitches of 44,892 square metres in total.
Food & beverage:	• Restaurant and bar.
Other amenities:	• The camp has a windsurfing centre and there are other sports facilities nearby.

Runke Camp

Runke Camp is located on a peninsula near the fishing town of Premanture and occupies an area of 4 hectares.

Property facilities include:

Lots:	• Pitches of 78,013 square metres in total.
Food & beverage:	• Restaurant and bar.
Other amenities:	• Market, exchange office, souvenir shop, newsstand, walking and running tracks.

Stoja — Camp & Mobile Homes

Located along a rocky coast, Camp Stoja is located 3 km from the town centre of Pula and occupies an area of 16.7 hectares.

Property facilities include:

Lots:	• Lots of 196,352 square metres in total.
Mobile homes:	• 127 mobile homes (for up to five people), with air conditioning, a terrace and private parking.
Food & beverage:	• Restaurant and bar.
Other amenities:	• Market, exchange office, souvenir shop, newsstand, massage, basketball court, beach volley , tennis, badminton, walking and bike trails, miniature golf course, table tennis, games for children, diving centre with a diving school, entertainment and animation.

Stupice Camp & Mobile Homes

Stupice Camp & Mobile Homes occupies an area of 26 hectares and is situated near Pula, in the fishing town of Premantura and offers views of the nearby archipelago. The Kamenjak peninsula, a protected park with walking and cycling tracks, is also nearby.

Property facilities include:

Lots:	• Pitches of 263,278 square metres in total.
Mobile homes:	• 110 mobile homes (for up to 5 people), with air conditioning, a terrace and private parking.
Food & beverage:	• Several restaurants, bars, pizzeria.
Other amenities:	• Market, exchange office, souvenir shop, newsstand, playground, volleyball, mini-golf, surfing school, small boat rental, rental of bicycles and pedal boats, other water sports and entertainment.

Tašalera Camp

Located in the Medulin bay, on the seaside opposite to Medulin, Camp Tašalera covers 4 hectares of pine wood and includes camping lots of 32,543 square metres in total. This site is currently not in operation.

Park Plaza County Hall London

Overview

Park Plaza County Hall London is located in a prime location, directly behind the London Eye on the South Bank. Main tourist attractions such as the Houses of Parliament, Big Ben, the London Aquarium and the Palace of Westminster are all within easy reach. Waterloo station and Westminster Underground are the nearest public transport hubs.

Hotel facilities include:

Breakdown of rooms:	• 398 rooms, including 101 superior rooms and seven penthouses.
Food and beverage:	• Spectrum bar & restaurant and Executive Lounge with terrace.
Meeting space:	• Six conference rooms range with a maximum capacity of 120. All rooms are equipped with audio-visual conferencing facilities.
Other amenities:	• In-room internet access, in-house movies, gym and beauty treatment rooms.

The Group's interest

The Group does not have any ownership interest in this hotel and operates the property under a management contract that runs until 2033.

1.4 Hotels under franchise agreements

The hotels under franchise are operated by third parties and the Group is not therefore able to give operating data on these hotels.

Park Plaza Cardiff

Overview

Park Plaza Cardiff is situated on Greyfriars Road, close to Cardiff Castle, the Millennium Stadium, New Theatre Cardiff and several museums. Park Plaza Cardiff offers a choice of superior rooms, executive rooms and suites. The hotel has been awarded four Platinum stars by the Wales Tourist Board.

Hotel facilities include:

Breakdown of rooms:	• 129 rooms, including 78 superior rooms, 40 executive rooms, eight junior suites and three one-bedroom suites.
Food and beverage:	• Laguna kitchen and bar (eclectic mix of global cuisine).
Meeting space:	• Two function rooms and nine conference rooms.
Other amenities:	• Wedding packages, onsite luxury spa, internet access and a fitness centre with swimming pool.

Park Plaza Belfast

Overview

Park Plaza Belfast is located just 50 metres away from Belfast International Airport and the city centre is a 20 minute taxi ride from the hotel. A regular shuttle service runs from the hotel to the city centre from the airport.

Hotel facilities include:

Breakdown of rooms:	• 106 rooms, including two suites, 53 superior doubles, 32 executive doubles and 16 superior twins.
Food and beverage:	• Circles restaurant and Foyer lounge bar.
Meeting space:	• Ten flexible conference rooms and a business centre.
Other amenities:	• Internet access.

Park Plaza Orchid Tel Aviv

Overview

Park Plaza Orchid Tel Aviv is located on the Beach Promenade, facing the Mediterranean Sea.

Hotel facilities include:

Breakdown of rooms:	• 182 rooms, including 24 studios and 19 suites.
Food and beverage:	• Banqueting facilities and a bar.
Meeting space:	• Business lounge.
Other amenities:	• A business centre and fitness club, including spa and swimming pool with sun deck.

Park Plaza Trier

Overview

Park Plaza Trier is located in the heart of Trier, Germany's oldest city and just three minutes from the famous Dom.

Hotel facilities include:

Breakdown of rooms:	• 150 rooms, including eight suites, 97 standard rooms and 45 superior rooms.
Food and beverage:	• Restaurant Caesar's and Lobby Bar.
Meeting space:	• Eight flexible conference rooms with a maximum capacity of 180 people cocktail style.
Other amenities:	• Roman spa with beauty treatment rooms.

2. Projects

art'otel amsterdam

Overview

The Group jointly acquired with Elbit a vacant office building located adjacent to Park Plaza Victoria Amsterdam at 33 Prins Hendrikkade in December 2006 for €14 million.

The parties are planning to redevelop this building into the city's first art'otel. The estimated capital expenditure is €17.0 million. Between acquisition and construction starting, the Group has worked with the municipality on changing the buildings permitted use in order for the Group to be able to apply for the necessary hotel licence.

The art'otel amsterdam project will offer a unique mix between the classical façade of a listed building and an ultra-contemporary interior design with a strong focus on large open spaces and clean lines. There are expected to be 105 rooms which will be spacious, ranging from 26 square metres to 74 square metres in size.

This new hotel will be connected to the Park Plaza Victoria Amsterdam to provide guests with access to the fitness centre and swimming pool.

Hotel facilities are expected to include:

Breakdown of rooms:	• 105 rooms, including executive rooms, business suites and deluxe suites.
Food and beverage:	• A food and beverage outlet for breakfast and a high-end outlet supporting the cultural function of the upper and the lower ground floor.
Meeting space:	• Flexible meeting space on lower ground floor.
Other amenities:	• Shared amenities with Park Plaza Victoria Amsterdam.

The Group's interest

The Group owns 50 per cent. of the entity which holds the freehold interest in this hotel. The other 50 per cent. is owned by Elbit. The Group will operate the hotel when it opens.

art'otel london hoxton

Overview

Located in the popular Hoxton area of London, the site is close to the financial district of the City of London, Liverpool Street station and Shoreditch. Hoxton is the ideal location for an art'otel, given its close proximity to the artistic influences of Hoxton Square with its galleries and performing arts centres. As the art'otel brand's entire concept focuses on original art displayed from one artist throughout the hotel's rooms and public areas, art'otel will fit perfectly against this fashionable backdrop.

The plan is to demolish the current structure and develop an 18-storey contemporary new hotel. In addition, a modern top-floor restaurant and bar as well as a relaxing spa open to guests and the local public, will form part of the hotel's offering.

In February 2010, planning consent was received and the hotel is scheduled to open in 2013. The approval follows over two years of design work, undertaken in close collaboration with Hackney Council's Design Review Panel, the Greater London Authority and several local community groups in Shoreditch. The source of funding for this development is debt or equity finance that was already in place.

Hotel facilities are expected to include:

Breakdown of rooms:	• 352 rooms, including executive rooms, business suites and deluxe suites.
Food and beverage:	• A rooftop restaurant and bar.
Meeting space:	• Several meeting rooms and Art centre.
Other amenities:	• Health club facilities, including a spa, and original artworks.
	• Publicly accessible arts centre, which will include an art gallery, space for video artists and photographic studios.

The Group's interest

The Group owns 50 per cent. of the entity which holds the freehold of this property. The remaining 50 per cent. interest is held by Aldersgate Investments Limited. The Group will operate the hotel when it opens.

Park Plaza Nuremberg

Overview

The Group has acquired the freehold of this vacant hotel building and the property with a view to refurbishing the hotel building. The property is located in the shopping and business centre of Nuremberg and opposite the main train station. The property's central location will make the hotel easily accessible by public transport. The estimated cost of developing the hotel is €12 million. Source of funding for this development is debt financing or equity finance that was already in place.

Hotel facilities are expected to include:

Breakdown of rooms:	• 175 rooms.
Food and beverage:	• Multi-functional restaurant and bar on the ground floor.
Meetings space:	• Ballroom and multi-functional meeting facilities on ground floor.
Other amenities:	• Two basement floors which may include a health club or for other purposes to be decided.

The Group's interest

The Group owns 100 per cent. of the company which owns the freehold of this property. It is proposed that the Group will operate the hotel when it opens.

3. Property plant and equipment

The following is a summary of the material properties owned or leased by the Group:

No.	Location	Freehold or Leasehold	Use	No. of rooms	Lease expiry	Annual Rent (£) unless otherwise stated
1.	Park Plaza Westminster Bridge London, Westminster Bridge Road, London SE1	Freehold	As a hotel	1,019	N/A	N/A
2.	Park Plaza Victoria London, 239 Vauxhall Bridge Road, London SW1	Freehold	As a hotel	299	N/A	N/A
3.	Park Plaza Sherlock Holmes London, 108-114 Baker Street and 83 Chiltern Street, London W1	Leasehold	As a hotel	119	28 September 2095	£650,000 (outstanding rent review 29 September 2006)(1)
4.	Park Plaza Riverbank London (including Plaza on the River), Albert Embankment, London SE1	Leasehold (two leases)	As a hotel	460	10 May 2125 31 March 2126	£652,734 £100
5.	Park Plaza Riverbank London, London	Leasehold	Car Parking	N/A	6 March 2022 (notice of termination received terminating the lease in November 2011)	£225,960 (outstanding rent review)
6.	Park Plaza Leeds, Boar Lane, City Square, Leeds LS1	Freehold	As a hotel	185	N/A	N/A
7.	Park Plaza Nottingham, 41 Maid Marion Way, Nottingham NG1	Leasehold	As a hotel	178	1 December 2145	£18,000
8.	Unit 2 and Unit 3, Salamanca Street, London	Leasehold	As offices	N/A	18 April 2025	£65,925 (outstanding rent review)
9.	12 David Mews and 116 Baker Street, London	Leasehold (main lease)	As offices	N/A	14 October 2012	£156,072 (outstanding rent review)
10.	Ground Floor, 10 Leake Street, London SE1	Leasehold	As offices	N/A	22 August 2018	£65,625
11.	Park Plaza Utrecht, Westplein 50, Netherlands	Leasehold	As a hotel	120	3 September 2038	€448,000 (paid at the commencement of the lease)
12.	Park Plaza Eindhoven, Geldropseweg, Eindhoven, Netherlands	Freehold	As a hotel	104	N/A	N/A
13.	Park Plaza Victoria Amsterdam, Amsterdam	Freehold	As a hotel	306	N/A	N/A
14.	Park Plaza Vondelpark Amsterdam, Koninginneweg, Amsterdam	Freehold	As a hotel	138	N/A	N/A
15.	Park Plaza Amsterdam, Airport	Freehold	As a hotel	342	N/A	N/A
16.	art'otel dresden	Operating Lease	As a hotel	174	31 December 2031	€118,320 per month or, if higher, up to 30 per cent. of total revenue

No.	Location	Freehold or Leasehold	Use	No. of rooms	Lease expiry	Annual Rent (£) unless otherwise stated
17.	art'otel berlin mitte	Operating Lease	As a hotel	109	31 December 2031	€82,538.33 per month plus 50 per cent. of the annual profit (if any)
18.	Park Plaza Prenzlauer Berg Berlin	Operating Lease	As a hotel	155	2 September 2018	€41,666.67 per month or, if higher, 20 per cent. of total annual revenue
19.	art'otel berlin city center west	Operating Lease	As a hotel	91	31 March 2029	€61,880 per month or, if higher, up to 30 per cent. of total revenue
20.	Park Plaza Wallstreet Berlin	Operating Lease	As a hotel	167	31 December 2025	€133,600 per month plus €615 per month per parking lot
21.	art'otel berlin kudamm	Operating Lease	As a hotel	133	31 December 2031	€100,750 per month plus 50 per cent. of annual profit (if any)
22.	art'otel budapest, Hungary	Leasehold	As a hotel	165	31 December 2020	€83,333 per month or, if higher, 28 per cent. of total annual revenue
23.	14, Claude Debussylaan, 1082 MD Amsterdam, Netherlands	Leasehold	As offices	N/A	31 January 2015	€153,359
24.	12, Märkisches Ufer, 10179 Berlin, Germany	Leasehold	As offices	N/A	31 December 2014	€79,992[(4)]
25.	art'otel cologne	Operating Lease	As a hotel	218	31 December 2010[(2)]	For the first five years of operation (from 1 January 2010), minimum rent of €152,000 per month which might increase up to €176,800 (1st and 2nd year); €183,430 (3rd and 4th year); or €187,850 (5th year) depending on hotel performance. From the sixth year of operation, minimum rent of €170,040 per month or 28 per cent. of total annual hotel revenue, whichever is higher
26.	Park Plaza Nuremberg	Freehold	As a hotel	175	N/A	N/A
27.	art'otel amsterdam	Freehold	As a hotel	105	N/A	N/A
28.	art'otel london hoxton	Freehold	As a hotel	352[(3)]	N/A	N/A

(1) Please see section 17.2 of Part VII of this document for details of a dispute in relation to this rent.

(2) A letter of intent was entered into on 7 March 2011 between the Group and the existing landlord to enter into a new operating lease for a minimum term of 20 years commencing in January 2011.

(3) A planning application is currently pending for 234 units.

(4) The lease was entered into on 23 May 2011 and will commence 1 August 2011.

Aside from the properties listed above, the Group does not own or lease any other existing or planned material tangible fixed assets.

There are no material environmental issues affecting the Group's utilisation of the properties referred to above.

PART III

INDUSTRY OVERVIEW

This part focuses on the key countries and cities where the Group currently has its main operations. The information in this part is based on various market reports as detailed below.

1. Summary

The hotel industry has benefited from the economic recovery in most European countries since the beginning of the financial crisis which started in mid-2008. The outlook for the industry appears promising with consumer spending increasing and tourists from emerging markets, including those in Asia, helping to drive the recovery.

In 2010, the top-five countries by international arrivals were France, the US, China, Spain and Italy while the UK and Germany, where many of the Group's hotels are located, rank sixth and eighth respectively. The hotel industry in countries in which the Group has its key operations have recently enjoyed strong growth in RevPAR. The United Kingdom, for example, experienced a 6.9 per cent. increase in RevPAR in 2010 compared to 2009, while the Benelux countries and Germany had 9 per cent. and 8 per cent. RevPAR growth, respectively in 2010 compared to 2009. Tourist traffic to Croatia has more than doubled since 2002, and its economy continues to strengthen as it seeks to join the European Union.

Capital cities were the strongest performers in 2010, capturing the return of international business and leisure travel with increased meetings and events activity. Amsterdam, Berlin and London, for example, performed particularly well with RevPAR growth for 2010 compared to 2009 of 18.4 per cent., 11.3 per cent. and 11.0 per cent., respectively. Paris by contrast saw an increase of 9.2 per cent..

Forecasts for the European hotel industry indicates a continued growth in revenue, largely driven by the recovery of ARR.

Source:

(1) MKG Hospitality January 2011.

(2) European Tourism 2010 Trends & Prospects Q4 — European Travel Commission.

(3) TRI Hospitality Consulting — UK, 2010.

(4) TRI Hospitality Consulting Hotstats December 2010 — European chain hotels.

2. The Group's key markets

2.1 United Kingdom

The UK hospitality sector has recovered relatively quickly since the economic downturn. This has mainly been attributable to London where tourism and the recovering economy have helped to drive UK hotel sector growth as a whole. Hotel sector performance in the UK provinces on the other hand was flat in 2010 compared to 2009 levels due to adverse weather conditions and a loss of food and beverage sales. According to HotStats, during 2010, UK hotels had average occupancy rates of 74.2 per cent. (an increase of 1.8 per cent. on 2009 levels), ARR increased by 4.3 per cent. and RevPAR increased by 6.9 per cent. as illustrated by the following table:

United Kingdom	2010	2009
Occupancy (%)	74.2	72.5
ARR (£)	91.1	87.3
RevPAR (£)	67.6	63.2

Source: TRI Hospitality Consulting Hotstats December 2010 — European chain hotels.

In the 12 months to and including January 2011, 29.6 million people visited the United Kingdom, representing a 1 per cent. decrease compared to 2009, partly as a result of the closed airspace due to the volcanic eruption in Iceland in 2010. Inbound visitor spending amounted to approximately £16.6 billion, an increase of 0.9 per cent. compared to 2009. Further growth is expected in 2011. VisitBritain estimates that 30 million people will visit the UK in 2011 and are anticipated to spend approximately £17.2 billion.

Source: Visit Britain UK Tourism April 2011.

A recovering UK economy which is attracting more business travellers and the prospect of events such as the Queen's Diamond Jubilee in 2012 and the 2012 Olympic and Paralympic Games is encouraging for international and domestic visitor arrivals.

Source:

(1) TRI Hospitality Consulting Hotstats December 2010 — European chain hotels.

(2) PricewaterhouseCoopers UK Hotels forecast: Road ahead looks clear for London but delays possible elsewhere (Issue 22 September 2010).

(3) VisitEngland UK Tourism Survey December 2010.

2.1.1 London

London exceeded expectations in 2010 with growth in occupancy, ARR and RevPAR compared to 2009. Benefiting from its position as a global financial centre, meetings and events related business travel increased.

London	2010	2009
Occupancy (%)	82.2	80.3
ARR (£)	124.2	114.0
RevPAR (£)	102.1	92.5

Source: TRI Hospitality Consulting Hotstats December 2010 — European chain hotels.

Source:

(1) TRI Hospitality Consulting — UK, 2010.

(2) HVS European Hotel Valuation Index 2011.

(3) HVS Le Tour d'Europe' The Race for Recovery November 2010.

(4) PricewaterhouseCoopers; UK Hotels Forecast September 2010.

(5) International Passenger Survey, Q3 2010 figures.

The relative weakness of Sterling contributed to the popularity of London as an international tourist destination attracting leisure travellers from Europe and further afield.

The most recent statistics from the International Passenger Survey shows that in the third quarter of 2010 there were over 4.2 million visitors to London, an increase of 5.4 per cent. compared to the third quarter of 2009 with a total spend of £2.4 billion. While London remains a key leisure destination with a growth in holiday visitors of 5.4 per cent. in the third quarter of 2010 compared to the third quarter of 2009, business related travel also increased by 18.1 per cent. in 2010 compared to 2009 (and spend related to business travel increased by 21.2 per cent.).

2.1.2 UK provincial

Hotel performance in the UK provinces was less encouraging than that of London with minimal increase in RevPAR and a rise in operational cost leading to a drop in profitability. In 2010 provincial hotel room rates declined by 0.9 per cent. compared to 2009. However a modest growth in occupancy levels resulted in a RevPAR increase of 1.5 per cent..

PricewaterhouseCoopers projects a slightly improved outlook for the provinces in 2011 with an anticipated increase in ARR of 2.5 per cent. but with a slowdown in occupancy growth.

UK provincial	2010	2009
Occupancy (%)	69.5	67.9
ARR (£)	68.2	68.9
RevPAR (£)	47.4	46.8

Source: TRI Hospitality Consulting Hotstats December 2010 — European chain hotels.

Source:

(1) TRI Hospitality Consulting Hotstats December 2010 — European chain hotels.

(2) PricewaterhouseCoopers UK hotels forecast September 2010.

2.2 The Netherlands

Its central location within the European Community and its reputation as a conference destination has made The Netherlands an important travel and transportation hub. The NL Nederlands Bureau voor Toerisme en Congressen ("NBTC") estimates that visitor levels have recovered since 2008 with over 11 million international visitors travelling to The Netherlands in 2010. 2010 saw an increase of 11 per cent. in international tourist arrivals compared to the previous year. A combination of a recovering global economy, the internationally marketed 'Holland Art Cities' initiative, relatively low airfares and additional air and international train connections are seen as the main drivers behind this growth.

The Netherlands also benefited from an increase of German and Belgian holidaymakers. Germany remains the largest source of arrivals (with an increase of 5 per cent. in 2010 compared to 2009), followed by the UK, which after a period of declining visitor numbers, showed an increase in visitors of 11 per cent. in 2010 compared to 2009. Arrivals from France increased by 17 per cent. in 2010 compared to the previous year.

Approximately 80 per cent. of all tourist arrivals are from within Europe. The top three sources of arrivals, Germany, the UK and Belgium, represented 64 per cent. of all European tourist arrivals. It is expected that 2011 will see an increase of 3 per cent. in tourist arrivals with the highest relative growth from Brazil, Russia, India and China.

Domestic tourism accounted for approximately 17.7 million holidays in 2010 and a total spend of approximately €2.8 billion. However, the hotel industry's share of this spend increased by 6 per cent., whereas camping and holiday parks experienced a drop.

Source: Tourisme in perspectief 2011, NBTC.

2.2.1 Amsterdam

Amsterdam is an established business and meetings destination with a balance of leisure and business guests and limited room supply.

The population of Amsterdam is approximately 1.04 million inhabitants who are served by excellent connections to and from Europe's fifth busiest airport, and high speed rail connections to London, Paris and Brussels.

Amsterdam hotel RevPAR improved in 2010 compared to 2009, driven largely by a combination of increased occupancy and ARR. ARR increased by almost 8 per cent. and RevPAR increased by 18.9 per cent. during 2010 compared to 2009.

Amsterdam	2010	2009
Occupancy (%)	75.8	69.2
ARR (€)	165.9	153.6
RevPAR (€)	125.8	106.3

Source: TRI Hospitality Consulting Hotstats December 2010 — European chain hotels.

Source:

(1) Amsterdam.nl

(2) HVS Le Tour d'Europe' The Race for Recovery November 2010.

(3) Gemeente Amsterdam Dienst Ruimtelijke Ordening.

2.2.2 Eindhoven

Eindhoven has a population of approximately 204,000. The electronics manufacturer Philips is an important employer in the city and much of the business travel to Eindhoven relates to Philips.

2.2.3 Utrecht

Utrecht is the fourth largest city in The Netherlands with a population of approximately 300,000 and is considered to be the centre of The Netherlands. Utrecht is a 30 minute drive from Amsterdam, 45 minutes from The Hague and Schiphol Airport is a 30 minute drive from the centre. The city is also home to the largest university in The Netherlands. Many major international companies have established their headquarters in and around Utrecht. As a result of its central location the city markets itself as the natural meeting point for the national market.

The following table sets out certain key performance indicators for the city's hotel industry:

Utrecht	2010	2009
Occupancy (%)	64.7	61.8
ARR (€)	99.0	100.3
RevPAR (€)	64.0	62.0

Source: STR Global.

2.3 Hungary

Hungary joined the European Union in 2004 and enjoyed a period of rapid visitor growth until 2008. Its economy relies to a large extent on tourism and was heavily impacted by the global economic downturn. Hungary's tourism industry traditionally relied on budget tourism.

The economic downturn during 2008 subsequently led to a severe recession in Hungary, where GDP growth fell by 6.4 per cent., one of the worst economic contractions in the country's history. As a result, domestic and international visitor numbers were impacted, however 2010 has seen positive signs of a slow recovery. Year-end GDP growth for 2010 reported 1.2 per cent. as the country emerged from recession. Hotel occupancy increased by nearly 2 per cent. in Hungary compared to 2009. This increase was mainly due to returning foreign guests and it was mainly the Budapest hotels which benefited from increased visitor numbers. ARR however continued to decrease by 5 to 8 per cent.

Source:

(1) Colliers International, 2011 market report for Hungary

(2) Colliers International, 2010 Mid-Year Market Report for Hungary

(3) TRI Hospitality Consulting HotStats 2011 — UK and Europe

Budapest

In 2009, hotels in Budapest saw both occupancy and ARR fall after a period of growth between 2004 to 2008. This affected planned hotel developments and many projects were put on hold, due to concerns around an oversupply of accommodation.

In the past year, Budapest's hospitality industry and tourism industry has improved. Total overnight stays increased by approximately 5 per cent. during the first three quarters of 2010 compared to the first three quarters in the previous year. The following table sets out certain key performance indicators for the city's hotel industry:

Budapest	2010	2009
Occupancy (%)	64.1	58.8
ARR (€)	89.0	94.6
RevPAR (€)	57.0	55.7

Source:

(1) TRI Hospitality Consulting Hotstats December 2010 — European chain hotels.

(2) European Tourism 2010 Trends & Prospects Q4 — European Travel Commission.

2.4 Germany

Germany is the largest economy in the European Union and the fourth largest in the world. With 82.3 million inhabitants Germany also has the largest population of any EU member state. The resilience of the German economy during the downturn resulted in the German tourism industry remaining strong. A total of 380 million overnight stays were reported in 2010, an increase of over 3 per cent. compared to 2009, with 16 per cent. accounted for by international travellers.

2010 was a relatively good year for the German hospitality industry. Germany's strong manufacturing industry and continued demand for its exports not only boosted the domestic economy but it also drove hotel performance. The government VAT reduction for hotel services during 2010 also contributed to growth.

According to year-end results from MKG Hospitality, RevPAR across Germany grew by 8.1 per cent. in 2010 compared to 2009.

Source:

(1) HVS European Hotel Valuation Index 2011.

(2) germantourism.de

(3) DRV — Deutscher ReiseVerband.

(4) MKG Hospitality

2.4.1 Berlin

Berlin is a significant national and international tourist destination. The German capital continues to be a popular destination and offered a total accommodation supply in February 2011 of approximately 111,700 beds and 750 accommodation providers. Demand is driven largely by the leisure and arts sectors, with the city hosting numerous events and exhibitions. The ARR achieved in Berlin are generally lower than in other key capital cities in Europe.

In 2010 the number of arrivals was over 9 million, an increase of 9.5 per cent. compared to 2009. Berlin visitor numbers continue to increase. However, occupancy levels have been relatively poor for four- and five-star hotels due to market saturation.

The largest source of overseas visitors is the UK, with approximately 330,000 tourists visiting Berlin in 2010, an increase of 14.3 per cent. compared to 2009, followed by Italy and The Netherlands.

A major new airport is forecast to open in mid-2012 which is expected to increase arrivals and therefore demand for accommodation. According to market analysts, new luxury accommodation will not be required, but affordable two and three star accommodation is expected to be in greater demand. The following table sets out certain key performance indicators for the city's industry:

Berlin	**2010**	**2009**
Occupancy (%)	71.3	70.2
ARR (€)	116.5	106.3
RevPAR (€)	83.0	74.6

Source:

(1) TRI Hospitality Consulting Hotstats December 2010.

(2) visitberlin.de

2.4.2 Cologne

Centrally located on the Rhine, Cologne is one of the most important transport hubs in Western Europe and located less than an hour away from Frankfurt and Düsseldorf Airports. High speed rail links connect the city to Brussels and Paris. The city has approximately 250 hotels with a total of 26,000 beds.

Cologne is a centre for trade fairs and conventions. The following table sets out certain key performance indicators for the city's industry:

Source: Kolntourismus.de

Cologne	**2010**	**2009**
Occupancy (%)	65.6	61.1
ARR (€)	96.3	92.9
RevPAR (€)	63.1	56.8

Source: STR Global

2.4.3 Dresden

Dresden is one of Germany's most popular tourist destinations. It is located in Saxony, bordering Bavaria, Thuringia, Saxony-Anhalt and Brandenburg, as well as the Czech Republic and Poland.

In 2010, Dresden received 1.5 million visitors, an increase of 10.5 per cent. compared to 2009. 82 per cent. of all visitors are domestic travellers.

Dresden	2010	2009
Occupancy (%)	61.0	58.8
ARR (€)	73	67
RevPAR (€)	45	39

Source:

(1) Dresden.de

(2) Fairmas fair market share analysis.

2.5 Croatia

Croatia's tourism industry has grown significantly since its application for European Union membership in 2003. The national government has successfully addressed the majority of the key prerequisites for accession to the EU, and the country hopes to become an EU member state soon. According to CNB tourism, tourist revenues have increased from approximately US$3.81 billion in 2002 to approximately US$8.06 billion in 2010, having reached a peak of approximately US$11.28 billion in 2008. Over the same period, total tourist nights increased from 44.69 million to 56.42 million. The total number of tourists travelling to Croatia in 2010 stood at 10.6 million an increase of 3 per cent. compared to 2009. Foreign visitors made up 86 per cent. of all tourists in 2010.

The top five sources of arrivals in 2010 were Germany (16.7 per cent.), Slovenia (11.2 per cent.), Italy (11.2 per cent.), Austria (8.9 per cent.) and the Czech Republic (6.6 per cent.). The country's attractive coastline along the Adriatic Sea and cheaper cost of living compared to Western Europe make it a popular European holiday destination.

Increasingly tourists from Eastern and Southern Europe are visiting Croatia. The fastest growth rates between 2009 and 2010 in tourist numbers, albeit small in absolute terms are from Turkey (up 82.5 per cent.), Greece (up 75.4 per cent.), Ukraine (up 40.7 per cent.) and Russia (up 35.3 per cent.).

Domestic tourism declined by 5 per cent. between 2009 and 2010, largely attributable to difficult domestic economic conditions. Croatia has seen a decline of 5.8 per cent. and 1.2 per cent. in real GDP in 2009 and 2010 respectively.

Istria

The county of Istria is the most popular tourist destination in Croatia with a share of 25 per cent. of total tourist visits in Croatia. Its picturesque coastline and ancient Roman heritage make it an attractive tourist destination in particular for foreign tourists, who make up 94 per cent. of Istria's annual visitors. The Group's interests are located within the popular locations of Pula, Medulin and Premantura in the county of Istria.

Source:

(1) Central Europe of statistics.

(2) Croatian Bureau of statistics.

PART IV

OPERATING AND FINANCIAL REVIEW

The following review should be read in conjunction with the selected financial information on the Company in section 1 of this Part IV headed "Background — Selected financial information"; and the audited consolidated financial statements and notes thereto of the Company included in Part V of this document. This review contains forward-looking statements that involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual investment performance, results of operations, financial conditions, liquidity and dividend policy of the Group, as well as the development of its financial strategies, may differ materially from the impression created by the forward-looking statements contained herein as a result of various factors including those described below and elsewhere in the document, particularly in the section headed "Risk factors".

1. Background

The Group owns, leases, develops, manages and franchises primarily full service four-star, four-star deluxe and contemporary lifestyle hotels in major gateway cities and regional centres primarily in Europe. The majority of the Group's hotels operate under two distinct brands, "Park Plaza Hotels & Resorts" or "art'otel".

The Group's strategy is to tap into the growing "affordable luxury" market by offering a high quality product at attractive prices and to continue to expand its portfolio. The Group's hotel portfolio comprises 38 hotels offering a total of 8,315 rooms. Of these, 2,868 rooms are owned by the Arenaturist Group, one of Croatia's leading hospitality groups in which the Group has a minority ownership interest. The Group manages all of the hotels in its portfolio other than the four hotels which are managed by third parties under franchise arrangements. The Group also has ownership interests in 25 of its hotels and eight hotels are operated under operating leases. The Group is working on projects relating to three new hotels and an extension to an existing hotel which together are expected to add a further 693 rooms to the portfolio by the end of 2013. Further details on the Group's portfolio are set out in section 5 of Part I of this document headed "Hotels and projects".

The following table sets out the total number of hotel rooms in the Group's portfolio under each type of interest or contractual arrangement as at the dates indicated.

	Year ended 31 December		
Hotel rooms	**2010**	**2009**	**2008**
Operated with an ownership interest(1)	3,270	1,544	1,544
Operated under an operating lease	1,212	994	1,142
Operated with minority or no ownership interest(2)	3,266	761	990
Franchise agreements	567	843	843
Total	8,315	4,142	4,519

Notes:

(1) Includes rooms in hotels which are wholly-owned, hotels in relation to which the Group has a 50 per cent. interest and Park Plaza Westminster Bridge London the ownership arrangements of which are described in the section 2 of this Part IV headed "Types of hotel operations — Hotels operated by the Group with an ownership interest of 50 per cent. or more".

(2) Includes rooms in the Croatian hotels comprising the Arenaturist Resorts but does not take into account the Croatian campsites.

The Group primarily operates under two brands:

- "Park Plaza Hotels & Resorts" in relation to which the Group has an exclusive right to use the brand in 56 countries in the EMEA region, through a territorial licence agreement with Carlson, a leading US travel and hospitality company; and
- "art'otel" which the Group owns subject to certain rights in favour of a third party as described in section 4 of Part I of this document headed "The Group's brands and intellectual property rights — art'otel".

Selected financial information

The financial information contained in this Part IV has been extracted without material adjustment from the Group's audited report and accounts for the three years ended 31 December 2010. A summary of the results over that period is set out below. Investors should read the whole document and not rely solely on the key or summarised information.

	Year ended 31 December Audited		
	2010	2009	2008
	€'000	€'000	€'000
Consolidated statement of operations			
Revenues	139,829	80,326	93,385
EBITDAR	46,447	26,144	35,857
EBITDA	37,633	16,244	25,433
Net profit/(loss) for the year	61,903	(7,449)	7,861
Consolidated balance sheet			
Total assets	935,305	731,871	612,595
Consolidated statement of cash flows			
Cash flows from/(used in) operating activities	15,151	(84,653)	(75,133)

2. Types of hotel operations

General

As mentioned above, the Group's interests in the hotels in its portfolio fall into four main categories: hotels operated by Group with an ownership interest of 50 per cent. or more; hotels operated by the Group under an operating lease; hotels operated by the Group with a minority or no ownership interest; and hotels operated by third parties under franchise agreements. The manner in which the operating results of any particular hotel are reflected in the Group's financial statements will depend on the type of interest the Group has in relation to that hotel as described below.

Hotels operated by the Group with an ownership interest of 50 per cent. or more

The Group wholly-owns eight hotels and has a 50 per cent. ownership interest in three hotels. All of these hotels are operated by the Group. The Group also wholly-owns the Park Plaza Nuremburg project and has a 50 per cent. ownership interest in the art'otel amsterdam and art'otel london hoxton projects and will operate these projects when they are completed.

The Group's ownership interest in Park Plaza Westminster Bridge London is different to that in other hotels. This is because although the Company wholly-owns Marlbray, the company which owns the freehold of this hotel, 999-year leases have been granted to third party investors (the "**Unit Holders**") in respect of 535 of the 1,019 units in that hotel (the "**Sold Units**"). In respect of all but four of the Sold Units, Marlbray has agreed to pay the Unit Holders a 5 or 6 per cent. annual return (with the exception of two Units in respect of which the guaranteed annual return is less than 5 per cent.) on their investment (the "**Guaranteed Return**") for a five year period commencing on the second month following the date of completion of the lease of the Sold Unit (the "**Guaranteed Return Period**"). The net income in respect of these Sold Units has been assigned to Marlbray for the Guaranteed Return Period. Following the expiry of the Guaranteed Return Period, the Unit Holders are simply entitled to receive the net income on their Sold Unit. The remainder of the units and the public area facilities at Park Plaza Westminster Bridge London are owned by the Group.

All of the revenues generated by the Group's wholly-owned hotels (including Park Plaza Westminster Bridge London[(1)]) are shown in the Company's consolidated income statement as are all of the costs of those revenues. In the case of Park Plaza Westminster Bridge London, payments made under the Guaranteed Return are shown as an expense. Where the Group has a 50 per cent. ownership interest in a hotel, a portion of that hotel's revenue (and cost of revenue) equal to the Group's percentage ownership interest in that hotel is shown in the Company's consolidated income statement.

(1) This accounting treatment will apply to Park Plaza Westminster Bridge London for so long as the Group continues to control the Sold Units. Control for these purposes may cease at the end of the Guaranteed Return Period but in any event no later than 31 December 2017, and the accounting treatment will be reviewed at such time.

Wholly-owned hotels (including Park Plaza Westminster Bridge London[(1)]) are shown in the Company's consolidated balance sheet at cost. In the case of Park Plaza Riverbank London, Park Plaza Sherlock Holmes London and Park Plaza Victoria London the balance sheet was revalued in accordance with IFRS as at 31 December 2010 following the acquisition of the third party interests in those hotels. In the case of Park Plaza Westminster Bridge London, the amounts received by Marlbray from Unit Holders on the sale of the Sale Units are shown in the Company's consolidated balance sheet as advance payments and presented under non-current liabilities. In the case of hotels in which the Group has a 50 per cent. ownership interest, a portion of the cost of the hotel equal to the Group's percentage ownership interest in that hotel is shown in the Company's consolidated balance sheet.

The Group operates all the hotels and campsites in its portfolio other than the franchised hotels and will operate all of its current projects. Where the hotel is wholly-owned by the Group (including Park Plaza Westminster Bridge London), the management fees payable to the Group (and the expense of those fees to the relevant operating company within the Group) are eliminated when preparing the Company's consolidated income statement. However, where the Group has a 50 per cent. ownership interest in a hotel, the portion of the management fees (and the portion of the expense of those fees) attributable to the interest in the hotel not owned by the Group is shown in the Company's consolidated income statement.

The Group receives fees in respect of the services it provides in operating the properties comprising: a base fee of 2 per cent. to 3 per cent. of either hotel room revenues or total revenues; an incentive fee of 5 per cent. to 7 per cent. of the gross operating profit from the hotel operations; a franchise fee of 1 per cent. to 3 per cent. of room revenues; and a sales and marketing fee of 1 per cent. to 2 per cent. of room revenues. In addition, the Group is, in some cases, entitled to receive head office reimbursement costs of 3 per cent. of gross operating profit to cover central overhead expenses.

Operating leases

Seven of the Group's eight hotels in Germany and the Group's hotel in Budapest are operated under operating leases. These tend to be long-term arrangements under which the Group leases a hotel from a third party property owner for periods of 20 to 25 years and often include options to extend for varying periods. Monthly rental payments are based on a percentage of the operating revenues or gross operating profit of that hotel subject, in most cases, to a minimum amount which is independent of the operating revenue or gross operating profit. The Group does not have the right to terminate these agreements before the end of their term if the revenue generated is less than the minimum rent payable. Operating leases require a lower capital investment than owning a hotel. For an analysis of the Group's liabilities under its existing operating leases please see section 7 of this Part IV headed "Liquidity and capital resources — Contractual obligations and commitments".

The revenues generated by the Group's operating lease hotels are shown in the Company's consolidated income statement as are the costs of those revenues (which include the rental payments). The Group manages all of its operating lease hotels but, as with wholly-owned hotels, the management fees payable to the Group and the expense of those fees to the relevant operating company within the Group are eliminated when preparing the Group's consolidated statement of operations. The principal difference between operating leases and hotels in relation to which the Group has an ownership interest is that operating leases are not shown as an asset in the Company's consolidated balance sheet.

Hotels operated by the Group with a minority or no ownership interest

The Group has a minority interest in eight hotels and five apartment complexes and have ownership interests in eight campsites in Istria, Croatia comprising the Arenaturist Resorts. The interest comprises a 20 per cent. stake in Bora, a company which in turn wholly-owns three private companies and also holds a 74.1 per cent. stake in Arenaturist, a company listed on the Croatian Stock Exchange. All of these hotels and campsites are operated by the Group, with the exception of one campsite which is currently not in operation.

The Group also operates one hotel which is entirely owned by a third-party (Park Plaza County Hall London). This hotel is operated under the Park Plaza Hotels & Resorts brand and the third-party owner is given access to the Carlson Central Reservation System ("CRS") for the purposes of marketing this hotel.

Under this and all of the Group's other management agreements, the hotel proprietor is responsible for all investments in and costs of operating the hotel, including the funding of periodic maintenance and repair, as well as for insurance of the hotel property. The employees that operate the hotels are in general employees of the hotel proprietor. The Group's responsibilities under a management agreement typically include supervising:

- compliance of the hotel with the brand standard and providing the system infrastructure necessary for the hotel to operate under the respective brand;
- administration of the hotels, including the preparation of budgets, accounting, purchasing, marketing, compliance with applicable laws and regulations and routine legal matters; and
- managers and employees in the performance of their duties as well as their training and hiring.

The fees received by the Group under both Park Plaza County Hall London and the Arenaturist Group management agreements appear as revenue on the Company's consolidated income statement.

Where the Group has a minority ownership interest in a hotel or campsite:

- the Group's share in the profit (or loss) after tax and non-controlling interests is shown in the Company's consolidated income statement as a separate item.
- the investment in the relevant associate is shown in the Company's consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate.
- the management fees payable to the Group are shown in full in the Company's consolidated income statement.

The Group's management agreements are all for periods of 15 to 25 years with an option to extend. However, the operating agreements in relation to Park Plaza Westminster Bridge London, Park Plaza County Hall London, Park Plaza Amsterdam Airport and the properties owned by the Arenaturist Group are terminable by the owner in the event that RevPAR and gross operating profit fall behind the average of certain benchmark hotels and the Group fails to make up the shortfall.

The Group was previously party to a management agreement in respect of Astrid Park Plaza. This agreement was terminated with effect from December 2008.

Franchise agreements

The Group currently has franchise agreements in respect of four hotels in Cardiff, Trier, Belfast and Tel Aviv with selected operators.

Under the Group's franchise agreements, third party hotel operators are granted licences for a fixed period to use one of the Group's two brands in relation to a specific hotel. Accordingly, under such agreements, the Group neither owns, leases nor manages the hotel. The Group derives revenue from a brand royalty or licensing fee which, under most of the franchise agreements is equal to 3.5 per cent. of hotel room revenues, and a one-off fee on a per room basis (from US$100 in MENA up to €200 in Europe) once hotels are opened with the Park Plaza Hotels & Resorts or the art'otel brand, as well as other fees for services connected with the brands, such as sales and marketing.

The duration of the Group's franchise agreements varies, but they are typically for a term of ten years or longer. The Group has the right to terminate the franchise agreement if the franchisee does not meet the quality standards and certain other requirements of the agreement.

As with management arrangements, the fees received by the Group under franchise arrangements appear as revenue on the Company's consolidated income statement.

On 28 April 2007, the Group entered into a territorial sub-licence agreement with Global V Hospitality Inc. to use and franchise to others the Park Plaza Hotels & Resorts and art'otel brands and the CRS in certain territories in the MENA region. However, Global V Hospitality Inc. failed to meet its obligations under that agreement and it was terminated by the Group on 17 June 2010. For further information see section 17.4 of Part VII of this document headed "Litigation".

In April 2008, the Group entered into an agreement with Ferens Management Limited pursuant to which up to 20 new hotels were to be opened under the Park Plaza Hotels & Resorts brand in Russia and were to be operated by the Group. To date, none of these hotels have been opened and, so far as the Group is aware, there is no prospect of such hotels opening in the foreseeable future.

The Group has recently received a termination notice in respect of its franchise agreement for Park Plaza Tyrrelstown Hotel in Dublin in breach of the terms of such agreement and has been informed that the hotel has been rebranded. The Group is currently seeking legal advice as to such termination and damages payable under the franchise agreement. The Directors do not believe however that the termination of this franchise agreement or any resultant litigation will have a material effect on the Group's business.

3. Principal factors affecting the Group's results of operations

The following are the principal factors affecting the Group's results of operations:

- the size of the Group's hotel portfolio and the nature of its interests in the hotels;
- the type and mix of the Group's customers;
- existing and potential competition and room supply within the markets in which the Group operates;
- seasonality of the hotel business; and
- general economic, political, social and market conditions and major events.

Size of the Group's hotel portfolio and the nature of its interests in the hotels

The Group's revenues and cost of revenues depends to a large extent on the number of hotels in its portfolio and the nature of the Group's interest in each hotel (see section 2 of this Part IV headed "Types of hotel operations" for further details). Hotels which the Group wholly-owns, hotels in which the Group has a 50 per cent. ownership interest or hotels which the Group operates under an operating lease tend to be the most important in terms of revenue generation and are also the most costly in terms of operating expenses and capital investment. Conversely, managed and franchised hotels in which the Group has no ownership interest tend to generate less revenue for the Group than hotels in which the Group has an ownership interest or hotels operated under operating leases, but require less investment and incur lower operating cost on the part of the Group than hotels which are owned.

As the Group expands its portfolio it is expected that both the Group's revenue and the cost of that revenue will increase. However, where the Group opens a new hotel (rather than acquires an existing hotel), there is often a time lag between the Group starting to incur costs in relation to that hotel and it generating revenues. Where the Group opens a new hotel, there is often a pre-opening period during which the Group incurs costs such as salaries and other operating expenses before that hotel is open and therefore generates any revenues. Additionally, following the opening of a new hotel there is often a soft opening period of three to six months during which only a limited number of rooms or food and beverage facilities are open to customers. Even after this soft opening period a newly opened hotel tends to take approximately two to three years depending on the market before the revenues for that hotel stabilise. This effect is most pronounced in the hotels in which the Group has an ownership interest and those hotels which it operates under operating leases, but also affects (albeit to a lesser extent) hotels which the Group operates under management agreements or franchises without any ownership interest.

The type and mix of the Group's customers

The Group's revenues are affected by the type and mix of customers staying at its hotels. For example, business customers tend to pay higher average room rates than most leisure customers however, business customers usually only stay on weekdays. Leisure customers therefore maintain occupancy levels during weekends and public holidays and so optimise the Group's RevPAR. During the financial year ended 31 December 2010, the Company estimates that approximately 50 per cent. of its customers were business customers and 50 per cent. were leisure customers.

Within these two categories of customers there are sub-categories the mix of which also affects room rates. For example, a large proportion of business customers (accounting for approximately 22.9 per cent. of the Group's total revenues during 2010) book through major business travel agencies or are from major corporates with which the Group has negotiated discounted room rates. Although average room rates for these customers tend to be lower than other types of business customers (who do not have such arrangements), they generate reliable levels of demand thereby helping to maintain occupancy rates. In the case of leisure travellers, the Group has a number of arrangements with tour operators which tend to have room rates at the lower end of the Group's scale but guarantee a degree of occupancy. The Group also tends to leave a small number of rooms in its hotels available for customers who do not make advance reservations at all as these customers tend to pay the highest average room rates.

Another important category of customer is those attending conferences and events. This category of customer tends to generate greater revenues than other customers because they tend to consume more food and beverages during their stay at the hotels as well as paying for the hire of meeting and conference rooms. During the financial year ended 31 December 2010, €36.0 million representing 25.8 per cent. of the Group's revenues related to food and beverages including conferences and events.

Existing and potential competition and room supply within the markets in which the Group operates

Competition within the hospitality industry affects the Group's revenues as does the supply of rooms in the markets in which the Group operates. Competitive factors in the hospitality industry include brand recognition, quality of service, location and quality of property, pricing and range and quality of food services and amenities offered, in particular, conference facilities. All of the Group's hotels are located in areas where there are numerous competitors. New or existing competitors could offer lower rates or more convenient locations, services or amenities, or could significantly increase the supply of rooms and/or improve or introduce new service offerings such as conference facilities in markets in which the Group's hotels compete, thereby posing a greater competitive threat than at present. Were this to happen the Group's occupancy rates or average room rates could be adversely affected either of which would adversely affect the Group's revenues. Conversely, markets such as Amsterdam in which supply is restricted (for example because of lack of space or because of restrictive planning laws) tend to have higher occupancy and average room rates.

Seasonality of the hotel business

The Group's business is seasonal in nature. The Group generally expects that, in the absence of unusual circumstances, visits by business guests (including trade from conferences) are subject to seasonality with demand from this category of guests being highest during the months of May, June, September, October and November. Since business guests tend to pay higher average room rates than most leisure customers, the revenues generated during these months tends to be higher than for other months. July and August also tend to be relatively strong months for revenue generation as demand from leisure guests is generally strongest during the summer. The Group seeks to reduce the effect of this seasonality on its profits by, for example, employing temporary staff during the peak months and changing the nature of its food and beverage offerings in certain countries thereby allowing for a degree of flexibility in its cost base. The properties owned by the Arenaturist Group are more seasonal in nature than the Group's other properties because of their location and focus on leisure guests. The Group seeks to reduce the effect of this seasonality on its profits by closing the large majority of these properties during the winter season.

General economic, political, social and market conditions and major events

Fluctuations in the Group's revenues are also affected by general economic, political, social and market conditions in the countries and cities in which the Group operates. This is particularly true for conference trade which comprises an important part of the Group's revenue. Revenues can also be affected by major events, either adversely (for example by natural disasters or terrorist attacks) or positively (for example by major sporting events), which in turn affects levels of business and leisure travel. For example, across all its markets, the Group's performance in 2009 was affected by the difficult economic and trading environment.

4. Explanation of key line items of the income statements

Revenues

Changes in the Group's revenues are mainly attributable to the following performance indicators that are commonly used in the hospitality industry:

- occupancy;
- average room rate, or ARR; and
- revenue per available room, or RevPAR (which is the product of ARR and average daily occupancy).

Substantially all of the Group's revenue is derived from the operation of its hotels. Specifically, the Group's revenue consists of:

- *Room revenue.* The major drivers of room revenue are occupancy and ARR.
- *Food and beverage revenue.* Food and beverage comprise food and beverage revenue and other revenues generated from conferences and banqueting. Food and beverage revenue correlates, in part to occupancy and room rates, but is also driven by the amount of conference trade and banqueting.

- *Minor operating revenue.* Minor operating revenue consists primarily of ancillary revenue such as hotel rental, laundry, telephone, internet, parking, entertainment and other guest services all of which, are principally driven by hotel occupancy.
- *Management fees.* The Group derives revenues from management contracts primarily from base fees determined as a percentage of total hotel revenue, incentive management fees determined as a percentage of the gross operating profit of the hotel operations (for further details please see section 2 of this Part IV headed "Types of hotel operations — Hotels operated by the Group with a minority or no ownership interest").
- *Franchise and reservation fees.* The Group derives revenue under franchising agreements from a brand royalty or licensing fee which, under most of the Group's franchise agreements is determined as a percentage of total hotel revenues, and a one-off fee on a per room basis (for further details please see section 2 of this Part IV headed "Types of hotel operations — Franchise agreements"). Franchise fee revenue also includes the revenue of recharging Carlson reservation and loyalty programme expenses to the franchises.
- *Marketing fees.* The Group derives sales and marketing revenue under management and franchise agreements for corporate sales and marketing activities. Under most of the Group's management and franchise agreements the sales and marketing fees are determined as a percentage of room revenues.
- *Other revenue.* Other revenue consists primarily of other rental income.

Operating costs

- *Salaries and related expenses.* The largest component of the Group's cost of revenues tends to be salaries and related expenses. These mainly relate to the employees working in the hotels in which the Group has an ownership interest (other than a minority interest) or which it operates under operating leases but also includes the costs of the Group's management.
- *Department expenses.* Department expenses cover all the operating expenses of the hotels other than salaries and related expenses or food and beverage expenses or franchise fees, reservation fees and commissions and comprises the following items: IT expenses; utilities; supplies; laundry, linen and cleaning; administration costs; communications, travel and transport; maintenance; and marketing expenses, leases of operational equipment and other expenses.
- *Food and beverage expenses.* As with food and beverage revenue, the major drivers of food and beverage expenses are occupancy and the amount of conference and banqueting trade.
- *Fees.* Franchise fees, reservation fees and commissions include franchise fees paid to Carlson for using Park Plaza Hotels & Resorts brand name and the expenses of using Carlson's reservation systems and participation in Carlson's loyalty programmes. Further the commissions paid to other bookings agents are included.
- *Insurance and local authority expenses.* Insurances and local authority expenses of the Group include expenses of all insurance policies and expenses of building taxes.

Rental expenses

Rental expenses comprise lease payments under operating leases and in relation to long leasehold interests in land.

Other items

- *Depreciation and amortisation expense.* The cost of land in a financial lease is depreciated using the straight-line method over the lease. Hotel buildings are depreciated using the straight-line method over estimated useful lives of 50 to 95 years for buildings and 2 to 15 years for furniture, fixtures and equipment. Intangible assets are amortised using the straight-line method over their estimated useful life of 20 years. Provisions for impairments of tangible and intangible fixed assets are also included in the depreciation and amortisation expenses.
- *Financial expenses.* Financial expenses includes interest on bank overdrafts and loans, losses due to changes in fair value of hedging derivatives, (if any) refinancing costs and net exchange rate differences.
- *Financial income.* Financial income includes interest on cash at banks and deposits, interest on loans to related parties, income due to changes in fair value of hedging derivatives.

- *Other income (net).* Other income includes all non recurring items such as negative goodwill upon acquisitions, capital gains from obtaining control in a former jointly controlled company, specific pre-opening expenses and other non recurring income.
- *Interest expense guaranteed to Unit Holders.* Marlbray, the developer of Park Plaza Westminster Bridge London, has entered into income guarantee agreements with all but four of the Unit Holders. Under the income guarantee agreements the Unit Holders have assigned the right to receive the net income derived from the Sold Units to Marlbray and Marlbray has undertaken to pay the Unit Holders a 5 or 6 per cent. annual return (with the exception of two Units in respect of which the guaranteed annual return is less than 5 per cent.) on the purchase price for the five year period commencing on the second month following the date of completion of the purchase.
- *Share in loss of associate.* The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence. The Group's share in the net result of the associate is reported in the profit and loss.
- *Income taxes, net.* Income taxes, net represents the sum of the tax currently payable and deferred tax. The tax payable is based on the taxable profit for the year for each taxable entity within the Group.

5. Results of operations

The following information should be read in conjunction with the consolidated financial statements of the Company and related notes included in Part V of this document.

Comparison of financial information for the Company for the financial years ended 31 December 2008, 2009 and 2010

Revenue

	Year ended 31 December Audited		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Room revenue	93,357	49,923	59,629
Food and beverage revenue	36,018	19,387	22,196
Minor operating revenue	2,504	1,637	2,267
Management fees	4,602	5,518	5,330
Franchise fees and reservation fees	2,297	2,858	2,847
Marketing	813	745	885
Other revenue	238	258	231
Total	**139,829**	**80,326**	**93,385**

The Group's consolidated revenues for the financial years ended 31 December 2008, 2009 and 2010 were €93.4 million, €80.3 million and €139.8 million respectively representing a decrease from 2008 to 2009 of 14.0 per cent. and an increase from 2009 to 2010 of 74.1 per cent.

Room, food and beverage and minor operating revenue

Hotel revenue (being the sum of room revenue, food and beverage revenue and minor operating revenue) increased by €60.9 million in 2010 compared to 2009, €58.4 million of which is attributable to the addition of five hotels to the Group's portfolio. In March 2010, Park Plaza Westminster Bridge London was partially opened to paying guests after ten years in the planning and two years of construction, followed by its full opening in September 2010. This hotel is by far the Group's largest with 1,019 rooms and has a major affect on revenue generation. The Group also opened the newly built art'otel cologne in March 2010 and acquired a 342 room conference hotel near Amsterdam Schiphol Airport in April 2010. In addition to the 1,579 new rooms added to the Group's portfolio in the year, in August 2010, the Group acquired companies owning the freehold and headlease interests in Park Plaza Leeds and Park Plaza Nottingham. Prior to this acquisition both hotels were operated, and continue to be operated, by the Group under long term management agreements. The remaining increase in hotel revenue in 2010 compared to 2009 results from an increase in the RevPAR of the existing hotels, resulting from a small increase in occupancy and an 8 per cent. increase in ARR.

Hotel revenue decreased by €13.1 million in 2009 compared to 2008 due to a drop in average room rates which was attributed to the difficult trading environment associated with the global economic slow down in 2009. In addition, the large portion of the Company's reported revenue generated in the United Kingdom (approximately 35 per cent.), was adversely affected by the 10 per cent. reduction in the average Sterling to Euro exchange rate during this year.

Management fees

Management fee revenue as reported in the Company's consolidated financial statements is the revenue of the management company of the Group after elimination of intra-Group management fee revenue. The reported management fee revenue was approximately €0.9 million lower in 2010 than in 2009 as management fee revenue in 2009 included a one-off fee of €0.4 million payable on termination of a management agreement. Furthermore, the practice of charging a service charge to properties in respect of which the Group has a 50 per cent. interest, ended in 2009. This service charge in 2009 amounted to €0.3 million after elimination of the owned share. The remaining €0.2 million decrease resulted from the acquisition of the freehold and long leasehold interests in Park Plaza Leeds and Park Plaza Nottingham in August 2010. Following this acquisition, in accordance with the Company's accounting policies, management fees charged to those hotels were eliminated from the Company's consolidated income statement.

Management fee revenue in 2009 was broadly unchanged from 2008.

Franchise fees and reservation fees

Franchise fees and reservation fees decreased by €0.6 million in 2010 compared to 2009 due to lower revenue from recharging Carlson expenses. This decrease results from adoption of the IFRS interpretation in relation to Customer Loyalty Programmes.

Franchise fees and reservation fees in 2009 was broadly unchanged from 2008. The decline in franchise fee revenue in 2009 compared to 2008 resulting from a decline in room revenue in the franchised hotels which in turn resulted from the economic slowdown was offset by an increase in revenue from recharging Carlson expenses as Customer Loyalty Programmes were used more often by hotel customers.

Marketing fees

Marketing fee revenue (after elimination of intra-Group transactions) increased slightly in 2010 compared to 2009 due to increased room revenue in the hotels in which the Group has (or had) a 50 per cent. or 55 per cent. ownership interest and Park Plaza County Hall London which the Group manages but in which it has no ownership interest.

Marketing fee revenue (after elimination of intra-Group transactions) decreased in 2009 compared to 2008 due to a decline in room revenue in the hotels in which the Group has (or had) a 50 per cent. or 55 per cent. ownership interest.

Operating costs

	Year ended 31 December Audited		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Salaries and related expenses	42,369	24,149	26,451
Department expenses	27,500	17,360	17,696
Food and beverage expenses	7,791	3,924	4,318
Franchise, reservation expenses and commissions	9,970	6,449	6,634
Insurances and local authority taxes	5,752	2,300	2,429
Total	**93,382**	**54,182**	**57,528**

The Group's consolidated operating costs for the financial years ended 31 December 2008, 2009 and 2010 were €57.6 million, €54.2 million and €93.4 million respectively representing a decrease from 2008 to 2009 of 5.9 per cent. and an increase from 2009 to 2010 of 72.3 per cent.

The percentage increase in total operating costs of 72.3 per cent. in 2010 compared to 2009 is slightly less than the percentage increase in total revenue of 74.1 per cent. in 2010 compared to 2009. As a result, operating costs as a percentage of total revenue decreased slightly from 67.5 per cent. in 2009 to 66.8 per cent. in 2010.

The percentage decrease in total operating costs of 5.9 per cent. in 2009 compared to 2008 is substantially less than the percentage decrease in total revenue of 14.0 per cent. in 2009 compared to 2008 because a number of these costs are fixed. As a result, operating costs as a percentage of total revenue increased from 61.6 per cent. in 2008 to 67.5 per cent. in 2009.

Salaries and related expenses

The largest contribution to the increase in operating costs in 2010 compared to 2009 was an increase in salaries of €18.2 million resulting from the additional staff for the five new hotels in 2010. Salaries as a percentage of total revenue remained broadly the same (30.3 per cent. in 2010 and 30.1 per cent. in 2009).

Salaries and related expenses decreased by €2.3 million in 2009 compared to 2008 as a result of rationalisation made as a result of falling room revenues in that year. Salaries as a percentage of total revenue increased from 28.3 per cent. in 2008 to 30.1 per cent. in 2009 reflecting the natural timing lag between a fall in revenue and mitigating rationalisation.

Department expenses

Department expenses increased by €10.1 million in 2010 compared to 2009. This increase resulted from the increased number of hotels in 2010 compared to 2009 accounting for an increase of department expenses of €9.4 million. The remaining increase of €0.7 million in department expenses in 2010 compared to 2009 is due to increased sales and marketing expenses, consultancy fees relating to the sales of units of Park Plaza Westminster Bridge London and legal and other adviser fees. Department expenses as a percentage of the total revenue decreased slightly to 19.7 per cent. in 2010 from 21.6 per cent. in 2009.

Department expenses decreased by €0.3 million in 2009 compared to 2008 reflecting falling room revenues in that year, although department expenses as a percentage of total revenue increased to 21.6 per cent. in 2009 from 18.9 per cent. in 2008 because a number of these expenses are fixed.

Food and beverage expenses

Food and beverage expenses have strong correlation with food and beverage revenues. The addition of the five new hotels in 2010 resulted in an increase of €16.6 million of food and beverage revenue in 2010 and an increase of €3.8 million of food and beverage expenses in 2010 compared with 2009. Food and beverage expenses as a percentage of food and beverage revenue of the Group increased to 21.6 per cent. in 2010 from 20.2 per cent. in 2009 mainly due to the nature of the food and beverage outlets at Park Plaza Westminster Bridge London.

Food and beverage expenses decreased by €0.4 million in 2009 compared to 2008 reflecting a €2.8 million decrease in food and beverage revenue in 2009 compared to 2008. Food and beverage expenses as a percentage of food and beverage revenue of the Group increased slightly to 20.2 per cent. in 2009 from 19.5 per cent. in 2008.

Franchise and reservation expenses

Franchise fees, reservation expenses and commissions are the fees paid by the Group to Carlson for using the Park Plaza Hotels & Resorts brand and fees paid to booking agents. Also included in this line are the expenses of customer loyalty programmes. These expenses increased by €3.5 million (representing a 54.6 per cent. increase) in 2010 compared to 2009. This increase resulted from a €4.0 million increase in reservation expenses (due to the addition of the five new hotels in 2010), compared to 2009 partially offset by a decrease in expenses resulting from the adoption of the IFRS interpretation with regard to customer loyalty programmes. The franchise fees, reservation expenses and commissions as a percentage of hotel revenue amounted to 7.6 per cent. in 2010, showing a decrease compared to 2009 (9.1 per cent.).

Franchise expenses, reservations and commissions were broadly unchanged in 2009 compared to 2008.

Insurance and local authority taxes

The increase of insurance and local authority costs of €3.5 million in 2010 compared to 2009 resulted primarily from the addition of five hotels to portfolio in 2010.

The insurance and local authority taxes were broadly unchanged in 2009 compared to 2008.

Rental expenses

	Year ended 31 December Audited		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Rental expenses	8,814	9,900	10,424

The Group's consolidated rental expenses for the financial years ended 31 December 2008, 2009 and 2010 were €10.4 million, €9.9 million and €8.8 million respectively representing a decrease from 2008 to 2009 of 5.0 per cent. and a decrease from 2009 to 2010 of 11.0 per cent.

The decrease in rental expenses in 2010 compared to 2009 is attributed to a reduction in rent for art'otel budapest amounting to €0.5 million and a waiver of accrued rent of €1.7 million partially off-set by an increase resulting from the additional rental expenses of art'otel cologne which opened in March 2010.

The decrease in rental expenses in 2009 compared to 2008 is due to the termination of the operating lease agreement of Park Plaza Dresden. This termination resulted in a lower rental expense in 2009 of €0.3 million. In addition, the rental expense of certain properties in Germany was lower in 2009 than 2008 as the rent is partially based on the revenue generated by the hotel with revenues decreasing in 2009 compared to 2008.

EBITDA

	Year ended 31 December Audited		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
EBITDA	37,633	16,244	25,433

The Group's consolidated EBITDA increased by €21.4 million to €37.6 million in 2010 compared to 2009 primarily due to the contribution of the new hotels in the Group's portfolio, in particular Park Plaza Westminster Bridge London (contributing EBITDA of €13.4 million in 2010). The other new hotels contributed an additional €1.3 million EBITDA in 2010. Further, the German and Hungarian operations showed a significant improvement which resulted in a reduced EBITDA loss of €0.3 million in 2010 compared to a loss of €3.7 million in 2009. Also EBITDA contribution relating to management fees from the new and existing hotels improved to €5.8 million in 2010 compared to €2.1 million in 2009. Excluding the additional hotels in the Group's portfolio in 2010 and excluding the additional management fee revenue received from these hotels, Group EBITDA increased by 17.2 per cent. to €19.8 million in 2010 compared to €16.9 million in 2009.

The Group's performance in 2009 was adversely affected in all its markets by the difficult economic and trading environment in that year. In addition to economic conditions, German and Hungarian hotels continued to be adversely affected by ongoing over supply in those markets. Group EBITDA declined to €16.2 million in 2009 compared to €25.4 million in 2008, primarily as a result of a significant decrease in ARR in 2009, but also as a result of a foreign exchange translation impact of €1.2 million. EBITDA contribution relating to management fees from the hotels, was also adversely affected by poor hotel performance resulting in lower management and franchise revenue and non-recurring restructuring costs for the full year of €1.3 million. EBITDA in 2009 was also impacted by €1.4 million of pre-opening expenses related to Park Plaza Westminster Bridge London.

Finance expenses and income

	Year ended 31 December Audited		
	2010	2009	2008
	€'000	€'000	€'000
Finance expenses	28,873	18,940	19,575
Finance income	10,421	5,797	8,103

The Group's consolidated finance expenses for the financial years ended 31 December 2008, 2009 and 2010 were €19.6 million, €18.9 million and €28.9 million respectively representing a decrease from 2008 to 2009 of 3.2 per cent. and an increase from 2009 to 2010 of 52.4 per cent. The Group's finance income for the financial years ended 31 December 2008, 2009 and 2010 were €8.1 million, €5.8 million and €10.4 million respectively representing a decrease from 2008 to 2009 of 28.5 per cent. and an increase from 2009 to 2010 of 79.8 per cent.

The increase in the finance expenses in 2010 compared to 2009 primarily results from the cost of closing an interest rate swap as part of a refinancing exercise relating to three of the London hotels which gave rise to a non-recurring finance expense of €8.9 million.

The decrease in finance expenses in 2009 compared to 2008 was mainly due to the translation of finance expenses incurred in pounds sterling to the reporting currency of euros at a lower £:€ exchange rate in 2009 compared to 2008.

The increase in finance income in 2010 compared to 2009 is primarily due to a non-recurring interest income of €3.5 million resulting from releasing the interest accrual of forfeited deposits of Unit Holders in Park Plaza Westminster Bridge London. The finance income increased also following an increase in the interest rate applicable to a loan provided to Bora, a company in which the Group has a 20 per cent. share resulting in increased interest income of €1.3 million. Finance income in 2010 was further increased due to a positive movement in the fair value of interest rate swaps of €1.4 million. These increases in finance income were partially off-set by a decrease in the interest received on bank deposits from purchasers of units in Park Plaza Westminster Bridge London. This decrease was due to legal completion of the purchase of 535 units in 2010 and also due to lower market interest rates on deposits.

The decrease in finance income in 2009 compared to 2008 is mainly due to a decrease of cash deposits and cash at bank during the course of 2008. These cash deposits generated income of €0.6 million in 2009, compared to income of €3.4 million in 2008.

Other income (net)

	Year ended 31 December Audited		
	2010	2009	2008
	€'000	€'000	€'000
Negative goodwill upon acquisition	9,997	—	6,507
Pre-opening expenses of Park Plaza Westminster Bridge London	(2,637)	—	—
Capital gain from obtaining control in a former jointly controlled entity	41,435	—	—
Reclassification adjustment in respect of foreign currency translation reserve	9,390	—	—
Income for forfeited deposits	2,166	—	—
Total	**60,351**	**—**	**6,507**

The reported negative goodwill in 2010 results from three acquisitions made by the Group. On 28 April 2010, the Group acquired a large conference hotel in the Amsterdam Schiphol Airport area of The Netherlands. The hotel was acquired by a joint venture vehicle controlled 50:50 by the Group and Elbit to which the Group and Elbit both contributed €1.1 million of capital. The joint venture company assured a loan of €28 million in relation to the acquisition of the hotel. The purchase price allocation in accordance with IFRS 3 resulted in negative goodwill of €0.3 million for this acquisition.

On 4 August 2010, the Group acquired the entire issued share capital of each of Hotel Leeds Holding B.V., Hotel Nottingham Holding B.V. and Nottingham Park Plaza Hotel Operator Limited as well as the freehold of Park Plaza Leeds and a long lease of the main site of Park Plaza Nottingham. As a result of these transactions, Park Plaza Leeds and Park Plaza Nottingham are now wholly-owned and operated by the Group. The purchase price allocation in accordance with IFRS 3 resulted in negative goodwill of €1.8 million for this acquisition.

On 31 December 2010, the Group acquired from Elbit the portion of the issued share capital of each of the holding companies of Park Plaza Sherlock Holmes London, Park Plaza Victoria London and Park Plaza Riverbank London, which the Group did not at that time already own. Prior to the acquisition, the Group owned 50 per cent. of Park Plaza Victoria London and 55 per cent. of Park Plaza Sherlock Holmes London and Park Plaza Riverbank London. The purchase price allocation in accordance with IFRS 3 resulted in negative goodwill of €7.9 million for this acquisition.

As this acquisition resulted in the Group gaining control over these hotels, which were previously jointly controlled, the transaction is accounted for as a business combination achieved in stages ("step acquisition"). Accordingly, management re-measured its previously held equity interests in these hotels at the acquisition date at fair value and recognised a gain of €50.8 million, including a reclassification adjustment of foreign currency translation reserves of €9.3 million.

The reported negative goodwill in 2008 relates to the acquisition in February 2008 of the remaining 66 per cent. of Marlbray which the Group did not at that time already own. Marlbray is the owner of the freehold of Park Plaza Westminster Bridge London. The purchase price allocation in accordance with IFRS 3 resulted in negative goodwill of €6.5 million for this acquisition.

Park Plaza Westminster Bridge London partially opened to paying guests in March 2010 and fully opened in September 2010. The non-recurring pre-opening expenses of this hotel amounted to €2.6 million in 2010.

The units of Park Plaza Westminster Bridge London were sold as more fully explained in section 2 of this Part IV headed "Types of hotel operations — Hotels operated by the Group with an ownership interest of 50 per cent. or more". As at 31 December 2010, 535 unit sales had been completed leaving 484 units retained by the Group. In connection with the development and sale of the units, Marlbray received deposits from prospective purchasers in respect of pre-sold units (in amounts up to 25 per cent. of the contracted sale price). As part of the unit sale agreement, Marlbray was obliged to pay prospective purchasers a guaranteed annual return of 5 or 6 per cent. (with the exception of two units in respect of which the guaranteed annual return is less than 5 per cent.) on the deposit until the date of completion (as referred to in such agreement).

During 2010, deposits in the amount of £38.6 million (€44.8 million), including accrued interest, were released from a stakeholder account. The deposits released, off-set the amount due from purchasers on completion of their purchase. Marlbray also rescinded contracts of defaulting purchasers and forfeited their deposits in the amount of £2.1 million (€2.4 million), of which £1.9 million (€2.1 million) was recognised as other income in 2010.

Share in loss of associate

	Year ended 31 December Audited		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Share in loss of associate	(2,362)	(1,195)	(1,037)

Share in loss of associate relates to the 20 per cent. share of the Group in Bora. The share in the loss of this associate increased to €2.4 million in 2010 from €1.2 million in 2009 mainly due to the increase of the interest on the loans received by Bora from its shareholders. This increase in the share of the loss of the associate offsets the increase of interest income from Bora amounting to €1.3 million reported under finance income.

Profit (loss) for the year

	Year ended 31 December Audited		
	2010	2009	2008
	€'000	€'000	€'000
Profit (loss) for the year	61,903	(7,449)	7,861

The Group achieved a profit of €61.9 million in 2010, compared to a loss of €7.4 million in 2009. The 2010 profit includes the following non-recurring income and expenses: other income amounting to €60.4 million; the refinance expense relating to the three London hotels of €8.9 million; the interest from forfeited deposits of €3.5 million, the reduction in rent relating to art'otel budapest amounting to €0.5 million and the waiver of accrued rent of €1.7 million in relation to the same hotel and income tax income of €1.4 million. Excluding these non-recurring items, profit in 2010 was €3.3 million. The profit in 2010 excluding non-recurring items represents a €10.7 million improvement on the loss during 2009 and is mainly attributable to the five new properties in the Group's portfolio.

The loss of €7.4 million in 2009 compares to a profit of €7.9 million in 2008. The 2008 profit includes non-recurring other income of €6.5 million. The 2008 profit excluding this non-recurring income was €1.4 million. The loss in 2009 represents an €8.9 million decrease compared to the 2008 profit excluding non-recurring items and was caused by the economic slowdown in 2009.

6. Current trading and prospects

Current trading and prospects(1)

Trading conditions have continued to improve across all markets in which the Group operates and the Group has continued to trade in line with the Board's expectations in the five months to 31 May 2011.

Group RevPAR in the first five months of 2011 increased by 12.0 per cent. to €86.4 (first five months of 2010: €77.1), primarily reflecting a 11.3 per cent. improvement in average room rates compared to the same period last year. Like-for-like(2) RevPAR during the first five months of 2011 improved by 21.0 per cent. to €93.3 (first five months of 2010: €77.1).

In the United Kingdom, RevPAR has grown significantly during the first five months of the year compared to the same period in 2010. In the United Kingdom, RevPAR during this period was €111.2 (first five months of 2010: €99.7) an increase of 11.5 per cent. and on a like-for-like basis RevPAR increased by 27.3 per cent. to €126.9 (first five months of 2010: €99.7). Notably, the Group's London hotels reported a strong increase in average room rates and the Group is now seeing the benefit of the fully operational Park Plaza Westminster Bridge London. EBITDA of the UK hotels during the first five months of 2011 has also increased mainly due to the effect of Park Plaza Westminster Bridge London and the increased ownership interests in Park Plaza Victoria London, Park Plaza Sherlock Holmes London and Park Plaza Riverbank London (including Plaza on the River) which is now 100 per cent..

In The Netherlands, RevPAR has also increased during the first five months of the year compared to the same period in 2010, a result of improved average room rates for all the Group's hotels in that country. In The Netherlands, RevPAR during the first five months of 2011 was €76.7 compared to €67.3 for the same period last year an increase of 14.0 per cent. and on a like-for-like basis RevPAR increased by 43.8 per cent. to €96.8 (first five months of 2010: €67.3). EBITDA of the Group's Dutch hotels declined slightly due to fewer rooms being available at Park Plaza Victoria Amsterdam and Park Plaza Eindhoven as a result of extensive renovations in the first quarter. The majority of these rooms not in operation during the renovations are now open and the Board is confident that the Group will benefit from these improved hotels.

(1) Based on an exchange rate of 0.8716 Euros to the Pound.

(2) Like-for-like RevPAR for the first five months of 2011 includes only trading information relating to hotels owned and operated by the Group during the equivalent period in 2010. It therefore excludes trading information relating to:

(a) Park Plaza Nottingham and Park Plaza Leeds entirely;

(b) Park Plaza Westminster Bridge London for the first two months of 2011;

(c) Park Plaza Amsterdam Airport for the first four months of 2011; and

(d) art'otel cologne for the first two months of 2011.

In Germany and Hungary, RevPAR at the Group's hotels improved during the first five months of the year compared to the same period in 2010. In Germany and Hungary, RevPAR was €47.5 compared to €41.9 an increase of 13.4 per cent. and on a like-for-like basis RevPAR was €46.8 compared to €41.9 in the first five months of 2010. This is a particularly good performance considering that last year's RevPAR performance in Germany was supported by the reduced rate of VAT. The growth in RevPAR is a result of increased average room rates and has been further improved as a result of the opening of the art'otel cologne in March 2010. EBITDA loss of the Group's German hotels during the first five months of 2011 decreased compared to the same period in 2010 as the Group started to benefit from renegotiated lease agreements and improved trading.

The Group's management and holdings operation have performed in line with Board expectations. Looking forward, the Group remains focused on continuing to improve overall performance, fundamentally by growing average room rates and maintaining careful cost control.

7. Liquidity and capital resources

Liquidity and cash

Historically, the Group's liquidity requirements have arisen from the following:

- operating expenses for the Group's hotels;
- investments relating to acquisitions and new developments;
- interest expense and scheduled principal payments on outstanding indebtedness; and
- capital expenditures incurred to maintain and improve the Group's hotels.

The Group has in the past derived, and the Directors expect that the Group will continue to derive, substantially all of its revenues from funds generated by the Company's operating subsidiaries. The Group budgets for its capital resources on an annual basis.

The Group's principal sources of liquidity have been the cash raised on IPO, operating cash flows and cash raised from existing borrowing facilities.

As at 31 December 2010, the Group's cash and cash equivalents and other liquid assets were €30.9 million. The Group's cash is held in demand and short-term bank deposits.

Working capital

The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is at least for the period of 12 months from the date of this document.

Capital resources

As at 31 December 2010, the Group's bank borrowings were €400.9 million, based on the Group's *pro rata* share of the following facilities:

- £248 million facility with Bank Hapoalim in relation to the development of Park Plaza Westminster Bridge London. As at 31 December 2010, the outstanding loan was £93.4 million (€108.4 million) including accrued interest with no amounts available to be drawn.
- £165 million facility with Aareal Bank secured on Park Plaza Victoria London, Park Plaza Riverbank London and Park Plaza Sherlock Holmes London;
- €111 million facility with Aareal Bank secured on the Group's hotels in The Netherlands other than Park Plaza Vondelpark, Amsterdam (of which €59.5 million is attributable to the Group);
- €21.0 million facility with Aareal Bank secured on Park Plaza Vondelpark, Amsterdam;
- €14.0 million facility with Bank Hapoalim secured on Prins Hendrickkade 33 Amsterdam (the proposed art'otel amsterdam) (of which €7.0 million is attributable to the Group);
- £3 million facility with Lloyds Bank secured by way of a corporate guarantee from the Company;
- £15.0 million facility with the Royal Bank of Scotland plc secured on Park Plaza Leeds; and
- £6.0 million facility with the Royal Bank of Scotland plc (formerly National Westminster Bank PLC) secured on Park Plaza Nottingham.

For further details see section 12 of Part VII of this document headed "Financing facilities".

€139.3 million of these bank borrowings were repayable within 12 months of 31 December 2010 and the remainder thereafter. Included in the repayable bank borrowings within 12 months of 31 December 2010 is the outstanding balance of the facility with Aareal Bank for Park Plaza Vondelpark, Amsterdam amounting to €20.2 million as the covenants in that facility were in breach as at 31 December 2010. Financial reporting requirements prescribe that in such circumstances the full outstanding loan balance should be classified as short term. On 12 April 2011, the Company reached an agreement with the lender to reduce the principal facility amount by €0.9 million in order to cure the position default as at 31 December 2010 and 31 March 2011 (debt service cover ratio test) and 31 March 2011 (loan to value test). In addition certain requirements under this facility agreement were waived for a period of 12 months ending 30 June 2012. The repayable bank borrowings within 12 months of 31 December 2010 also include the outstanding balance of the Marlbray Facility amounting to €108.4 million (£93.4 million).

The facility with Bank Hapoalim in relation to Park Plaza Westminster Bridge London was amended on 1 June 2011 so that the overall facility amount is £115 million and the date for repayment has been extended to 1 June 2018. The current amount drawn under the facility is approximately £95.7 million with the balance available to be drawn subject to satisfaction of certain conditions.

The repayment schedule of the facilities of the Group for the coming few years (following the amendment of the facility with Aareal Bank in relation to Park Plaza Vondelpark, Amsterdam facility and the facility with Bank Hapoalim in relation to Park Plaza Westminster Bridge London as stated above) is as follows:

- €6.7 million in 2012;
- €29.2 million in 2013;
- €7.1 million in 2014;
- €178.2 million in 2015; and
- €171.1 million in the years following 2016.

The figures above are based upon an exchange rate of 0.8716 Euros to the Pound.

Total indebtedness, capitalisation and cash and cash equivalents statements

The following tables show the total indebtedness of the Group as at 31 March 2011, the cash and cash equivalent position of the Group as at 31 March 2011 (being the latest practicable date for this information prior to the publication of this document) and the capitalisation of the Group as at 31 December 2010.

The figures for capitalisation have been extracted without material adjustment from the Group's audited consolidated financial information in Part V of this document. The figures for the total indebtedness of the Group and the cash and cash equivalent position of the Group have been extracted without material adjustment from the Group's unaudited management accounts as at 31 March 2011.

Total indebtedness as at 31 March 2011

	As at 31 March 2011 Unaudited
	€m
Total Current Debt:[1]	
— Secured	116.9
Total Non-Current Debt:	
— Secured	276.7
Total indebtedness	393.6

Note:

(1) Bank loans are stated net of loan fees of €4.7 million which are being amortised over the period of the loans.

Cash and cash equivalents as at 31 March 2011

	As at 31 March 2011 Unaudited
	€m
Cash and cash equivalents	
Cash at bank	17.4
Other liquid assets	5.3
Gross cash and cash equivalents	22.7
Net indebtedness	**370.9**

Capitalisation as at 31 December 2010

	As at 31 December 2010 Audited
	€m
Shareholders' equity (excluding retained earnings)	
Share capital	—
Share premium	237.7
Foreign currency translation reserves	(36.5)
Other reserves	(36.4)
Hedging reserve	(1.1)
Treasury shares	(1.1)
Total Shareholders' equity (excluding retained earnings)[1]	162.6

Note:

(1) Total capitalisation excludes retained earnings, which amounted to €40.6 million as at 31 December 2010.

There has been no material change to the capitalisation of the Group since 31 December 2010.

Contractual obligations and commitments

The Group's contractual obligations and commitments as at 31 December 2010 consist primarily of bank borrowings, as described above, as well as the Group's obligations under its operating and long term leases details of which are set out below:

	Within one year	One to five years	Over five years	Total
	€'000	€'000	€'000	€'000
Contractual obligations:				
Operating leases[1]	9,197	36,787	111,209	157,193
Long-term leases[2]	1,045	4,178	112,591	117,814
Total contractual cash obligations	10,242	40,965	223,800	275,007

Notes:

(1) Assuming the minimum amount payable under the operating leases.

(2) These relate to the lease agreements for Park Plaza Riverbank London and Park Plaza Sherlock Holmes London. The figures are given assuming no increase or decrease as a result of rent reviews.

In 2009 and 2010 the Group invested €0.7 million renovating the reception, bar, dining room and conference area of Park Plaza Vondelpark, Amsterdam.

A total of €3.8 million was invested in the four months to the end of April 2011 renovating Park Plaza Victoria Amsterdam of which the Group's share was €1.9 million. All 164 rooms, corridors, meeting rooms and public areas in the Garden wing of this hotel were completely refurbished. The capital expenditure relating to Park Plaza Victoria Amsterdam during 2011, was funded from an additional facility of Aareal amounting to €3 million and the remaining from internal resources.

On 1 June 2011, a €1.1 million renovation of 47 rooms and meeting rooms of Park Plaza Eindhoven was completed.

A €2 million renovation is expected to commence in the third quarter of 2011 at Park Plaza Amsterdam Airport and is intended to complete by the end of 2011.

A €0.5 million renovation will commence later this year at art'otel budapest for the refurbishment of 81 rooms and public areas.

The Group also aims to complete the conversion of an office building into the first art'otel in Amsterdam by the end of 2012. This property, a vacant office building located adjacent to Park Plaza Victoria Amsterdam was purchased in December 2006 jointly with Elbit for €14 million. It will be marketed as a four star art'otel with an expected 105 rooms. The total construction budget of this conversion amounts to €8.7 million (being the Group's contribution to this project). The Group will enter into a new construction facility with a credit institution to fund the conversion.

Apart from this, most of the major hotels in the Group's portfolio have been recently developed or refurbished and therefore are not expected to require any significant capital expenditure in the short term. Currently, the amount payable in to the capital expenditure reserve under the budget for most of the hotels is 3 per cent. to 4 per cent. of total revenue. The reserve covers most of the capital expenditure and maintenance costs for each hotel.

PART V

ACCOUNTANT'S REPORT ON THE GROUP

The Directors
Park Plaza Hotels Limited
1st Floor
Elizabeth House
Les Ruettes Brayes
St. Peter Port
Guernsey GY1 1EW
Channel Islands

Dear Sirs

Park Plaza Hotels Limited

We report on the financial information set out in pages 91 to 155 which comprises the consolidated balance sheets, the consolidated income statements, the consolidated statements of comprehensive income and the consolidated statements of changes in equity, the consolidated statements of cash flows and the related notes 1 to 32 for the years ended 31 December 2010, 2009 and 2008. This financial information has been prepared for inclusion in the prospectus dated 24 June 2011 of Park Plaza Hotels Limited on the basis of the accounting policies set out in Note 2. This report is required by item 20.1 of Annex I of Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) 809/2004, consenting to its inclusion in the prospectus.

Responsibilities

The Directors of Park Plaza Hotels Limited are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 24 June 2011, a true and fair view of the state of affairs of Park Plaza Hotels Limited as at the dates stated and of its profits and losses, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) 809/2004.

Yours faithfully

Ernst & Young LLP
Guernsey, Channel Islands
24 June 2011

CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December 2010	2009	2008
		€'000	€'000	€'000
ASSETS				
NON-CURRENT ASSETS:				
Intangible assets	4	**42,313**	44,882	47,447
Property, plant and equipment	5	**605,242**	188,625	183,922
Apart-hotel units sold to unit holders	6	**160,586**	—	—
Prepaid leasehold payments	7	**244**	254	263
Investment in associate	8	**22,140**	22,468	22,680
Other non-current financial assets	10	**27,389**	35,306	31,510
		857,914	291,535	285,822
CURRENT ASSETS:				
Inventories under construction	11	**—**	304,817	200,893
Restricted deposits and cash	17b	**21,999**	66,516	52,780
Inventories		**1,351**	527	520
Other current financial assets	9	**1,671**	14,536	23,852
Trade receivables	12	**17,176**	14,385	11,520
Other receivables and prepayments	13	**9,557**	5,137	4,143
Cash and cash equivalents	14	**25,637**	34,418	33,065
		77,391	440,336	326,773
Total assets		**935,305**	731,871	612,595

	Note	As at 31 December 2010	2009	2008
		€'000	€'000	€'000
EQUITY AND LIABILITIES				
EQUITY:	15			
Issued capital		**—**	—	—
Share premium		**237,729**	236,000	236,000
Other reserves		**(36,445)**	(36,418)	(37,189)
Treasury shares		**(1,083)**	(1,083)	—
Foreign currency translation reserve		**(36,507)**	(28,376)	(32,164)
Hedging reserve		**(1,087)**	(9,096)	(6,381)
Accumulated earnings (deficit)		**40,611**	(21,292)	(13,843)
Total equity		**203,218**	139,735	146,423
NON-CURRENT LIABILITIES:				
Bank borrowings	18	**261,570**	171,865	124,065
Advance payments from unit holders		**176,503**	—	—
Other liabilities	19	**65,299**	51,011	42,567
Deferred income taxes	26	**8,770**	9,655	9,156
		512,142	232,531	175,788
CURRENT LIABILITIES:				
Trade payables	29	**24,998**	4,853	9,594
Deposits received from unit holders	17b	**18,234**	63,757	53,580
Other payables and accruals	20	**37,419**	13,128	13,491
Bank borrowings	18	**139,294**	277,867	213,719
		219,945	359,605	290,384
Total liabilities		**732,087**	592,136	466,172
Total equity and liabilities		**935,305**	731,871	612,595

The accompanying notes are an integral part of the Consolidated financial information.

CONSOLIDATED INCOME STATEMENTS

	Note	Year ended 31 December 2010	2009	2008
		€'000[1]	**€'000[1]**	**€'000[1]**
Revenues	21	**139,829**	80,326	93,385
Operating cost	22	**(93,382)**	(54,182)	(57,528)
EBITDAR		**46,447**	26,144	35,857
Rental expenses		**(8,814)**	(9,900)	(10,424)
EBITDA		**37,633**	16,244	25,433
Depreciation and amortisation		**(12,409)**	(9,066)	(9,259)
Impairment loss		**—**	—	(2,284)
EBIT		**25,224**	7,178	13,890
Financial expenses	23	**(28,873)**	(18,940)	(19,575)
Financial income	24	**10,421**	5,797	8,103
Other income, net	25	**60,351**	—	6,507
Interest expenses guaranteed to unit holders		**(4,279)**	—	—
Share in loss of associate	8	**(2,362)**	(1,195)	(1,037)
Profit (loss) before tax		**60,482**	(7,160)	7,888
Income tax benefit (expense)	26	**1,421**	(289)	(27)
Profit (loss) for the year		**61,903**	(7,449)	7,861
Basic and diluted earnings (loss) per share (in Euro)	27	**1.5**	(0.2)	0.19

(1) Except earnings per share.

The accompanying notes are an integral part of the Consolidated financial information.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2010	2009	2008
		€'000	**€'000**	**€'000**
Profit (loss) for the year		**61,903**	(7,449)	7,861
OTHER COMPREHENSIVE INCOME (LOSS):				
Fair value gain on available-for-sale financial assets		**289**	348	(249)
Reclassification adjustment for (profit) loss from available-for-sale financial assets recorded in income statement		**(346)**	246	—
Loss from cash flow hedges		**(911)**	(2,715)	(8,140)
Breakage of hedge financial instruments		**8,920**	—	—
Reclassification adjustment in respect of foreign currency translation reserve	3c	**(9,390)**	—	—
Foreign currency translation adjustments of foreign operations		**1,205**	3,762	(21,151)
Foreign currency translation adjustment of associate		**54**	26	93
Revaluation upon acquisition of Marlbray		**—**	—	29
Other comprehensive profit (loss)		**(179)**	1,667	(29,418)
Total comprehensive profit (loss) attributable to owners of the parent		**61,724**	(5,782)	(21,557)

The accompanying notes are an integral part of the Consolidated financial information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital*	Share premium	Other reserves	Treasury shares	Foreign currency translation reserve	Hedging reserve	Retained earnings (accumulative deficit)	Total
Balance as at 1 January 2008	—	232,879	(36,985)	—	(11,106)	1,759	(21,704)	**164,843**
Profit for the year	—	—	—	—	—	—	7,861	**7,861**
Other comprehensive loss for the year	—	—	(220)	—	(21,058)	(8,140)	—	**(29,418)**
Total comprehensive loss	—	—	(220)	—	(21,058)	(8,140)	7,861	**(21,577)**
Share issue upon acquisition of Marlbray	—	3,121	—	—	—	—	—	**3,121**
Share-based payments	—	—	16	—	—	—	—	**16**
Balance as at 31 December 2008	—	236,000	(37,189)	—	(32,164)	(6,381)	(13,843)	**146,423**
Loss for the year	—	—	—	—	—	—	(7,449)	**(7,449)**
Other comprehensive income for the year	—	—	594	—	3,788	(2,715)	—	**1,667**
Total comprehensive loss	—	—	594	—	3,788	(2,715)	(7,449)	**(5,782)**
Purchase of treasury shares	—	—	—	(1,083)	—	—	—	**(1,083)**
Share-based payments	—	—	177	—	—	—	—	**177**
Balance as at 31 December 2009	—	236,000	(36,418)	(1,083)	(28,376)	(9,096)	(21,292)	**139,735**
Profit for the year	—	—	—	—	—	—	61,903	**61,903**
Other comprehensive loss for the year	—	—	(57)	—	(8,131)	8,009	—	**(179)**
Total comprehensive income	—	—	(57)	—	(8,131)	8,009	61,903	**61,724**
Issue of shares	—	1,729	—	—	—	—	—	**1,729**
Share-based payments	—	—	30	—	—	—	—	**30**
Balance as at 31 December 2010	—	237,729	(36,445)	(1,083)	(36,507)	(1,087)	40,611	**203,218**

* No par value.

The accompanying notes are an integral part of the Consolidated financial information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss) for the year	**61,903**	(7,449)	7,861
Adjustment to reconcile profit (loss) to cash used in operating activities:			
Financial expenses	**33,151**	18,940	19,575
Financial income	**(10,421)**	(5,797)	(8,103)
Income tax (income) expense	**(1,421)**	289	27
Negative goodwill on acquisition of Marlbray	**—**	—	(6,500)
Negative goodwill on acquisition of Schiphol Victoria Hotel C.V.	**(308)**	—	—
Negative goodwill on acquisition of Park Plaza Leeds and Park Plaza Nottingham	**(1,756)**	—	—
Negative goodwill on acquisition of Park Plaza Sherlock Holmes, Park Plaza Riverbank Hotel and Park Plaza Victoria Hotel	**(7,933)**	—	—
Capital gain from obtaining control in a former jointly controlled entity	**(50,825)**	—	—
Share in loss of associates	**2,362**	1,195	1,037
Depreciation and amortisation	**12,409**	9,075	9,268
Impairment of property, plant and equipment	**—**	—	1,257
Impairment of art'otel rights	**—**	—	1,027
Share-based payments	**30**	177	16
	(24,712)	23,879	17,604
Changes in operating assets and liabilities:			
Increase in inventories under construction	**(5,013)**	(80,951)	(87,274)
(Increase) decrease in inventories	**(663)**	3	20
Increase in trade and other receivables	**(5,658)**	(2,424)	(4,094)
Increase (decrease) in trade and other payables	**11,112**	(5,708)	(2,183)
	(222)	(89,080)	(93,531)
Cash paid and received during the period for:			
Interest paid	**(22,880)**	(12,549)	(11,517)
Interest received	**1,011**	609	4,840
Taxes paid	**170**	—	—
Taxes received	**(119)**	(63)	(390)
	(21,818)	(12,003)	(7,067)
Net cash from (used in) operating activities	**15,151**	(84,653)	(75,133)

The accompanying notes are an integral part of the Consolidated financial information.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Year ended 31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	**(23,101)**	(3,345)	(5,818)
Net change in cash upon acquisition of Marlbray (A)	**—**	—	(13,756)
Net change in cash upon acquisition of Aspiration (B)	**—**	—	(14,589)
Net change in cash upon acquisition of Schiphol Victoria Hotel C.V. (C)	**(739)**	—	—
Net change in cash upon acquisition of Park Plaza Leeds and Park Plaza Nottingham (D)	**(9,619)**	—	—
Net change in cash upon acquisition of Park Plaza Sherlock Holmes, Park Plaza Riverbank Hotel and Park Plaza Victoria Hotel (E)	**2,945**	—	—
Loan to an associate	**—**	—	(22,094)
Loans to jointly controlled entities and to partners in jointly controlled entities	**(8,396)**	(1,670)	(9,842)
Investment in associate	**—**	—	(745)
Decrease (increase) in restricted deposits	**45,127**	(8,019)	(13,356)
Purchase of available-for-sale investment in bonds and securities	**(693)**	(12,279)	—
Proceeds from maturity of bonds and securities (investment in held to maturity bonds)	**—**	23,073	(23,698)
Purchase of available-for-sale investment in shares	**(390)**	(15,945)	(2,996)
Proceeds from sale of available-for-sale investment in shares	**14,723**	16,136	—
Purchase of treasury shares	**—**	(1,083)	—
Advance payments from unit holders	**130,538**	—	—
Decrease (increase) in restricted cash	**28**	320	(135)
Loans to unit holders	**(2,180)**	—	—
Net cash from (used in) investing activities	**148,243**	(2,812)	(107,029)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in deposits from unit holders	**1,757**	3,130	11,088
Proceeds from long-term loans	**100,358**	42,158	20,017
Repayment of long-term loans	**(114,441)**	(44,485)	(21,860)
(Increase) decrease in short-term loans	**(169,012)**	85,032	89,004
Loans from jointly controlled entities and from partners in jointly controlled entities	**8,635**	1,733	9,544
Net cash from (used in) financing activities	**(172,703)**	87,568	107,793
Increase (decrease) in cash and cash equivalents	**(9,309)**	103	(74,369)
Net foreign exchange differences	**528**	1,250	(11,942)
Cash and cash equivalents at beginning of year	**34,418**	33,065	119,376
Cash and cash equivalents at end of year	**25,637**	34,418	33,065

The accompanying notes are an integral part of the Consolidated financial information.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Year ended 31 December		
	2010	2009	2008
	€'000	€'000	€'000
(A) (NET CHANGE IN CASH UPON ACQUISITION OF MARLBRAY:			
Current assets (excluding cash and cash equivalents)	—	—	(198,873)
Current liabilities	—	—	164,301
Non-current liabilities	—	—	11,166
Revaluation of existing interest upon acquisition	—	—	29
Fair value of the shares issued as consideration for acquisition of Marlbray	—	—	3,121
Negative goodwill	—	—	6,500
Net change in cash	—	—	(13,756)
(B) NET CHANGE IN CASH UPON ACQUISITION OF ASPIRATIONS:	—	—	
Current assets (excluding cash and cash equivalents)	—	—	88
Current liabilities	—	—	(88)
Long-term assets	—	—	(14,589)
Net change in cash	—	—	(14,589)
(C) NET CHANGE IN CASH UPON ACQUISITION OF SCHIPHOL VICTORIA C.V.:			
Current assets (excluding cash and cash equivalents)	**393**	—	
Current liabilities	**(536)**	—	
Non-current assets	**15,308**	—	
Non-current liabilities	**(14,000)**	—	
Negative goodwill	**(308)**	—	
Non-cash transactions	**(118)**	—	
Net change in cash	**739**	—	
(D) NET CHANGE IN CASH UPON ACQUISITION OF PARK PLAZA LEEDS AND PARK PLAZA NOTTINGHAM:			
Current assets (excluding cash and cash equivalents)	**862**		
Current liabilities	**(2,330)**	—	—
Non-current assets	**40,316**	—	—
Non-current liabilities	**(23,837)**	—	—
Non-cash transactions	**(3,636)**	—	—
Negative goodwill	**(1,756)**	—	—
Net change in cash	**9,619**	—	—
(E) NET CHANGE IN CASH UPON ACQUISITION OF PARK PLAZA SHERLOCK HOLMES, PARK PLAZA RIVERBANK HOTEL AND PARK PLAZA VICTORIA HOTEL:			
Current assets (excluding cash and cash equivalents)	**3,090**	—	—
Current liabilities	**(11,807)**	—	—
Non-current assets	**135,180**	—	—
Non-current liabilities	**(99,520)**	—	—
Negative goodwill	**(7,933)**	—	—
Non-cash transactions	**(21,955)**	—	—
Net change in cash	**(2,945)**	—	—
(F) SIGNIFICANT NON-CASH TRANSACTIONS:			
Shares issued to acquire Marlbray	—	—	3,121
Purchase of inventories under construction and fixed assets	**14,081**	—	—
Issue shares	**1,729**	—	—
Significant non-cash transactions	**15,810**	—	3,121

The accompanying notes are an integral part of the Consolidated financial information.

NOTES TO THE FINANCIAL INFORMATION

NOTE 1 GENERAL

a. Description of business and formation of the Company:

The Company was incorporated and registered in Guernsey on 14 June 2007.

The Company's primary activity is owning, leasing, developing, operating and franchising full service, four star deluxe and lifestyle hotels in major gateway cities and regional centres primarily in Europe.

b. Assessment of going concern:

As part of their ongoing responsibilities, the Directors have recently undertaken a thorough review of the Group's cash flow forecast and potential liquidity risks.

The Group has entered into a number of loan facilities, the details of which are set out in Note 17 and Note 32(2). The Board believes that the Group currently has adequate resources and in the future will generate sufficient funds to honour its financial obligations and continue its operations as a going concern for the foreseeable future.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation:

Statement of compliance:

The Consolidated financial information have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value. The Consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand (€000) except when otherwise indicated.

The Consolidated financial information of the Company and all its subsidiaries, jointly-controlled entities and associates (together "the Group") have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The accounting policies used in preparing the Consolidated financial information for the years ended 31 December 2010, 2009 and 2008 are set out below. These accounting policies have been consistently applied to the periods presented unless otherwise stated.

b. Presentation currency:

The financial statements are presented in Euro.

c. Basis of consolidation:

The financial statements of the subsidiaries and joint ventures are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, income and expenses, and profits and losses resulting from intra-Group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date on which such control ceases.

The Group has interests in hotels in The Netherlands, the United Kingdom, Germany, Hungary and Croatia. For details on the Group's subsidiaries and investments as at 31 December 2010, see Appendix A.

For details on the Company's interests in jointly-controlled entities (proportionately consolidated as at 31 December 2010), see Appendix B.

d. Changes in accounting policy and disclosures:

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective 1 January 2010:

- IFRS 2 *Share-based Payment: Group Cash-settled Share-based Payment Transactions* effective 1 January 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)* effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items* effective 1 July 2009
- IFRIC 17 *Distributions of Non-cash Assets to Owners* effective 1 July 2009
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

The adoption of the standards or interpretations is described below:

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as at 1 January 2010. It did not have an impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

IAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or performance of the Group.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has no Non-current Assets held for Sale.

IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the Chief Operating decision maker. As the Group's Chief Operating decision maker does not review segment assets and liabilities, the Group has not disclosed this information in Note 28.

IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.

IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.This amendment did not result in any re-classification.

IAS 36 Impairment of Assets: When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the Consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using 'value in use'. The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

Issued in April 2009

- *IFRS 2 Share-based Payment*
- *IAS 1 Presentation of Financial Statements*
- *IAS 17 Leases*
- *IAS 34 Interim Financial Reporting*
- *IAS 38 Intangible Assets*
- *IAS 39 Financial Instruments: Recognition and Measurement*
- *IFRIC 9 Reassessment of Embedded Derivatives*

Judgments:

In the process of applying the Group's accounting policies, Management has made the following judgments, which have the most significant effect on the amounts recognised in the Consolidated financial statements:

Acquisition of subsidiaries that are not business combinations:

At the acquisition date of subsidiaries and operations, the Company determines whether the transaction constitutes an acquisition of a business in a business combination transaction pursuant to IFRS 3. If the acquisition does not constitute a business as defined in IFRS 3, the cost of purchase is allocated only to the identifiable assets and liabilities of the acquired company on the basis of their relative fair values at the date of purchase without allocating any amount to goodwill or deferred taxes, and including any minority interest according to its share of the fair value of net identifiable assets at the acquisition date.

In determining whether a business was acquired the Company evaluates whether the entity which was acquired is an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors. The following criteria which indicate acquisition of a business are considered: the number of assets acquired the extent to which ancillary services to operate the property are provided and the complexity of the management of the property.

Finance lease commitments — Group as lessee

The Group has entered into commercial land leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements that it holds all the significant risks and reward of ownership of the land and accounts for the contracts as finance leases.

Estimates and assumptions:

The key assumptions made in the financial information concerning uncertainties at the balance sheet date and the critical estimates computed by the Group for which there is a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below.

- Impairment of non-financial assets:

  The Group's impairment test for tangible and intangible assets is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. See Notes 5 and 6 for further details including the carrying amounts of these assets at balance sheet date and key assumptions used.

- Determination of fair values in the context of business combinations:

  When the Group acquires a business, it assesses the fair value of the assets acquired and liabilities assumed, as well as ensuring appropriate classification and designation in accordance with the contractual terms, economic circumstances and other relevant information at the acquisition date. The Group engages independent valuation specialists to determine such fair values. In the case of property, plant and equipment, the valuer uses valuation techniques based on discounted cash flow models. The cash flows are derived from the forecasts for the businesses acquired, and the fair value so determined is sensitive to the discount rate used for discounting the cash flow model, as well as the assumptions inherent in the forecasts. The key assumptions used to determine the fair value in the context of business acquisitions is further explained in Note 3.

- Share-based payment transactions:

  The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 16.

- Deferred tax assets:

  Deferred tax assets are recognised for unused carry forward tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Additional information is provided in Note 26.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Business combinations and goodwill:

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations involving entities under common control

The Group accounts for business combinations that include entities under common control using the acquisition method provided that the transaction has substance.

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets. Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Investment in an associate:

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of an associate is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

g. Jointly controlled entities:

The Group has interests in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint ventures using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint ventures with similar items, line by line, in its consolidated financial statements. The financial statements of the joint ventures are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealised gains and losses on such transactions between the Group and its jointly controlled entities. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint ventures are proportionately consolidated until the date on which the Group ceases to have joint control over the joint ventures.

h. Foreign currency translation:

The functional currency of the Company is the Great Britain Pound. The Consolidated financial statements are presented in Euro as a significant portion of the Group's operations are conducted in Euro. Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the rates prevailing on the balance sheet date. Profits and losses arising from exchange differences are included in the income statement.

The assets and liabilities of the entities whose functional currency is other than Euro are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Equity items are translated at the historic exchange rates. Exchange differences arising on the translation are classified as a separate component of equity (foreign currency translation reserve). Such translation differences are recognised in the income statement in the period in which the entity is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exchange differences in respect of loans denominated in Euro which were granted by the Company to its subsidiaries are reflected in the foreign currency translation reserve in equity.

The following exchange rates in relation to the Euro were prevailing at balance-sheet dates:

	As at 31 December		
	2010	**2009**	**2008**
	In Euro	**In Euro**	**In Euro**
Great British Pound	**1.161**	1.127	1.048
Hungarian Forint	**0.004**	0.004	0.004

Percentages increase (decrease) in exchange rates during the year:

	As at 31 December		
	2010	**2009**	**2008**
	%	%	%
Great British Pound	**3**	7.5	(23.1)
Hungarian Forint	**—**	—	—

i. Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair valued at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised using the straight-line method over their estimated useful life and assessed for impairment whenever there is an indication that the intangibles may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense for intangible assets is recognised in the income statement.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and recognised in the income statement when the asset is derecognised.

j. 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
Land under finance lease	121–125
Hotel buildings	50–95
Furniture and equipment	2–15

The costs of maintaining property, plant and equipment are recognised in the income statement as they are incurred. Costs incurred that significantly increase the recoverable amount of the asset concerned are added to the asset's cost as an improvement and depreciated over the expected useful life of the improvement.

An item of property, plant and equipment, and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company distinguishes between sold and unsold apart-hotel units. Unsold units are depreciated using the straight-line methods as mentioned above. Apart-hotel units which have been sold to individual purchasers are subject to a depreciation charge of zero as their residual value will be equal to their carrying amount.

Apart-hotel units sold to purchasers will only be derecognised when significant risks and rewards of ownership of, and control over, the relevant units have passed to the purchasers.

Significant judgments applied determining accounting policy:

In light of the complexity of the Park Plaza Westminster Bridge ("Westminster Bridge hotel") project, a number of significant judgements have been made by the Board, in consultation with and upon the recommendation of Management, in determining the accounting policies around the derecognition of the units sold to buyers and the recognition of resultant revenues.

These significant judgements relate to the timing of when substantially all the significant risk and rewarded of ownership of the units and continuing managerial involvement are deemed to have been ceded by the group.

Because of the complexity of the project and the potential for evolution of accounting guidance of the subject, the Board and Management will continue to re-evaluate the relevant judgments on an ongoing basis.

k. Impairment of non-financial assets:

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the asset is considered impaired and the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been determined had no impairment loss been previously recognised for the asset (cash-generating unit). A reversal of an impairment loss is recognised as income immediately.

l. Financial instruments:

Financial assets within the scope of IAS 39 are initially recognised at fair value plus directly attributable transaction costs, except for investments at fair value through profit or loss in respect of which transaction costs are carried to the income statement.

After initial recognition, the accounting treatment of investments in financial assets is based on their classification into one of the following categories:

1. Loans and receivables:

The Group has loans and receivables that are financial assets (non-derivative) with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method taking into account transaction costs and less any allowance for impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the systematic amortisation process.

2. Available-for-sale financial assets:

The Group has available-for-sale financial assets that are financial assets (non-derivative) that are designated as available-for-sale or are not classified in the preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from fair value adjustments are recognised directly in other comprehensive income in the net unrealised gains reserve. When the investment is disposed of or in case of impairment, the cumulative gain or loss previously recorded in equity is recognised in the statement of income. Interest income on investments in debt instruments is recognised in the income statement using the effective interest method. Dividends earned on investments are recognised in the statement of income when the right of payment has been established.

3. Fair value:

The fair value of investments that are actively traded in organised financial markets is determined by reference to market prices on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow or other valuation models.

4. Financial liabilities:

Interest-bearing loans and borrowings are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method which also accounts for directly attributable transaction costs. Gains and losses are recognised in the income statement when the loan is derecognised as well as through the systematic amortisation process.

5. Derecognition of financial instruments:

Financial assets:

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the Group has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities:

A financial liability is derecognised when it is extinguished, i.e. when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor (the Group) discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

Where an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in the income statement.

6. Financial guarantee contracts:

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the balance sheet date and the amount initially recognised less cumulative amortisation.

7. Impairment of financial assets:

The Group assesses at each balance sheet date whether the following financial asset or group of financial assets is impaired as follows:

- Assets carried at amortised cost:

  Evidence of impairment may include indications that the debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments or other observable data of a measurable decrease in the estimated future cash flows. If there is objective evidence that an impairment loss on loans and receivables and held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss carried to the income statement is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognised. The amount of the reversal, as above, is credited to the income statement up to the amount of any previous impairment.

- Available-for-sale financial assets:

  In the case of equity investments classified as available-for-sale, evidence of impairment would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost (less any previous impairment losses) and the current fair value, is removed from equity and recognised in the income statement. In subsequent periods, any reversal of impairment loss is not carried to the statement of income but recognised as other comprehensive income.

m. Inventories:

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

n. Inventories under construction:

Inventories under construction are measured at the lower of cost and net realisable value. Cost of inventories includes direct identifiable construction costs, indirect costs and capitalised borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

o. Cash and cash equivalents:

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

p. 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 measured again 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.

The fair value of interest rate swap contracts is determined using valuation techniques, including the discounted cash flow model.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in 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 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.

q. Trade receivables:

Trade receivables recognised under current assets are stated at their nominal value as reduced by appropriate allowances for estimated uncollectible amounts.

r. Revenue recognition:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Owned and leased hotels

Primarily derived from hotel operations, including the rental of rooms, food and beverage sales and other services from 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.

Sale of apart-hotel units

Revenue from the sale of apart-hotel units is recognised when the significant risks and rewards of ownership and control have been passed to the buyer.

Management fees

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

Franchise fees

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EBITDAR

Earnings before interest, tax, depreciation, amortisation, impairment loss and rental expenses and share of associate and tax (EBITDAR) correspond to revenue less cost of revenues (operating expenses). EBITDAR, together with EBITDA is used as a key management indicator.

EBITDA

Earnings before interest, tax, depreciation and amortisation and impairment loss (EBITDA) correspond to gross profit after the operating costs of holding leased hotels.

EBIT

Earnings before interest and tax (EBIT) correspond to gross operating profit after the operating costs of holding both leased and owned assets.

s. Leases:

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

Prepaid leasehold payments

Prepaid leasehold payments are up-front payments to acquire a long-term leasehold interest in land and building. These payments are stated at cost and are amortised on a straight-line basis over the respective period of the leases (50 years).

t. Employee benefits

Share-based payments

The Board has adopted a "Share Option Plan", under which employees and Directors of the Company and its subsidiaries 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 16.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting, irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Pension

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

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

u. Borrowing costs for qualifying assets:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

v. Taxation:

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, 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 credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 reassessed at each balance sheet 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 balance sheet date.

Deferred tax assets and liabilities and changes in them relating to items recognised directly in equity are recognised in equity and not in the income statement.

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.

w. Treasury shares:

Company shares held by the Company are recognised at cost and presented as a deduction from equity. Any purchase, sale, issue or cancellation of treasury shares is recognised directly in equity.

x. 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.

y. Operating cycle:

The normal operating cycle of Marlbray was greater than one year, due to the operating cycle of the project under construction. As a result, current assets and liabilities include items the realisation of which is intended and anticipated to take place over Marlbray's normal operating cycle.

z. Standards issued but not yet applied:

IFRS 9 — Financial Instruments:

In November 2009, the IASB issued the first part of Phase I of IFRS 9, "Financial Instruments", as part of a project to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 focuses mainly on the classification and measurement of financial assets and it applies to all financial assets within the scope of IAS 39.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

According to IFRS 9, upon initial recognition, all the financial assets (including hybrid contracts with financial asset hosts) will be measured at fair value. In subsequent periods, debt instruments can be measured at amortised cost if both of the following conditions are met:

— the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notwithstanding the aforesaid, upon initial recognition, a company may designate a debt instrument that meets both of the abovementioned conditions to fair value through profit or loss if this designation eliminates or significantly reduces a measurement or recognition inconsistency (''accounting mismatch'') that would have otherwise arisen.

Subsequent measurement of all other debt instruments and financial assets will be at fair value.

Financial assets that are equity instruments will be measured in subsequent periods at fair value and the changes will be recognised in profit or loss or in other comprehensive income (loss), in accordance with the election of the accounting policy on an instrument-by-instrument basis (amounts recognised in other comprehensive income will not be later classified to profit or loss). Nevertheless, if the equity instruments are held for trading, they must be measured at fair value through profit or loss. This election is final and irrevocable. When an entity changes its business model for managing financial assets it shall reclassify all affected financial assets. In all other circumstances, reclassification of financial instruments is not permitted.

The Standard will be effective starting 1 January 2013. Earlier application is permitted. Early adoption will be done with a retrospective restatement of comparative figures, subject to the relief set out in the Standard.

In October 2010, the IASB issued certain amendments to IFRS 9 regarding derecognition and financial liabilities. According to those amendments, the provisions of IAS 39 will continue to apply to derecognition and financial liabilities which are not measured at fair value through profit or loss, namely the classification and measurement provisions of IAS 39 will continue to apply to financial liabilities held for trading and financial liabilities measured at amortised cost.

The adjustments arising from these amendments affect the measurement of a liability at fair value whereby the amount of the adjustment to the liability's fair value — attributed to changes in credit risk — will be carried to other comprehensive income. All other fair value adjustments will be carried to the statement of income. If carrying the fair value adjustment of the liability arising from changes in the credit risk to other comprehensive income creates an accounting mismatch in the income statement, then that adjustment also will be carried to the income statement rather than to other comprehensive income.

Furthermore, according to the amendments, liabilities in respect of certain unquoted equity instrument derivatives can no longer be measured at cost but rather only at fair value.

z. Standards issued but not yet applied continued:

The amendments will be effective starting 1 January 2013. Earlier application is permitted provided that the company also adopts the provisions of IFRS 9 regarding the classification and measurement of financial assets (the asset stage). First-time adoption of these amendments will be done retrospectively by restating comparative data, subject to the exemptions provided by the amendments.

IAS 12 — Income Taxes:

The amendment to IAS 12 deals with the recognition of deferred taxes for investment property measured at fair value. According to the amendment, the deferred taxes in respect of temporary difference for such assets should be measured based on the presumption that the temporary difference will be utilized in full through sale (rather than through continuing use). This presumption is rebuttable if the investment property is depreciable for tax purposes and is held within the company's business model with the purpose of recovering substantially all of the underlying economic benefits by way of use and not sale. In those cases, the other general provisions of IAS 12 would apply in respect of the manner of utilisation that is most expected.

The amendment supersedes the provisions of SIC 21 that require distinguishing between the land component and the building component of investment property measured at fair value in order to calculate the deferred tax according to their manner of expected utilisation.

The amendment will be adopted retrospectively starting from the financial statements for annual periods commencing on 1 January 2012.

This amendment will not have any influence on the Group.

IFRIC 19 — Extinguishing Financial Liabilities with Equity Instruments

In November 2009, IFRIC 19 ("the Interpretation") was published, stipulating the accounting treatment of transactions where financial liabilities are discharged by issuing equity instruments. Pursuant to the Interpretation, equity instruments issued to replace debt shall be measured at fair value of the equity instruments issued, if this may be reliably measured. If the fair value of equity instruments issued may not be reliably measured, then the equity instruments should be measured at fair value of the financial liability discharged upon the date of discharge. The difference between the balance of the discharged liability on the financial statements and the fair value of equity instruments issued is recognised on the income statement.

The Interpretation should be applied to annual reporting periods starting on or after 1 January 2011.

IFRS 7 — Financial Instruments: Disclosure:

The amendment to IFRS 7 clarifies the disclosure requirements prescribed by the Standard. The Standard highlights the connection between the quantitative and qualitative disclosures and the nature and scope of the risks arising from financial instruments. The disclosure requirements regarding securities held by the company have been minimised and the disclosure requirements regarding credit risk have been revised. The amendment will be adopted retrospectively in the financial statements for periods starting from 1 January 2011.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation — Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

NOTE 3 BUSINESS COMBINATIONS

a. In February 2008, Euro Sea Hotels N.V., a wholly-owned subsidiary of the Company, acquired 66.7 per cent. of the shares of Marlbray Limited. ("Marlbray"), increasing the Group's ownership interest in Marlbray to 100 per cent. Marlbray is the owner of Park Plaza Westminster Bridge project (see Note 11).

The fair value of the identifiable assets and liabilities of Marlbray as at the date of acquisition (based on an independent appraisal) and the corresponding carrying amounts immediately before the acquisition are:

	Fair value recognised on acquisition	Previous carrying amount
	€'000	€'000
Inventories under construction	153,705	115,971
Restricted deposits	52,854	52,854
Other current assets and receivables	1,660	1,660
Cash and cash equivalents	456	456
	208,675	170,941
Bank loans	102,577	102,577
Shareholder loans	—	620
Other financial liabilities	54,180	54,180
Deferred income taxes	10,562	—
Trade payables	1,564	1,563
Other payables and accruals	7,192	7,192
Liability to Irish Nationwide Building Society	—	5,339
	176,075	171,471
	32,600	530
Carrying amount of investment in Marlbray as an associate	(8,738)	
Revaluation of existing interest (33%) upon acquisition	(29)	
Negative goodwill on acquisition	(6,500)	
Total consideration	17,333	

The total consideration for the 66.7 per cent. interest acquired, in the amount of €17.33 million, consists of £10.6 million (€14.2 million) in cash and the issue of 735,000 Ordinary shares of the Company, (490,000 of which were issued to the sellers of Marlbray). The market price of the shares on the date of acquisition was £3.16 (€4.24). As part of the consideration, the Company funded the repayment of approximately £472,000 (€620,000) of loans made to Marlbray by the selling shareholders and a fee payable by Marlbray to Irish Nationwide Building Society, (which provided finance for the early stages of the project), which was satisfied by approximately £3.2 million (€4.3 million) in cash and the issue of 245,000 Ordinary shares.

From the date of the acquisition to the end of 2008, the contribution of Marlbray to the net profit of the Group was not material. If the combination had taken place at the beginning of 2008, the net profit of the Group would have been €346,000 lower. Marlbray does not generate revenue as Park Plaza Westminster Bridge apart-hotel was still under construction at year end.

b. In March 2008, Apex Holdings (UK) Limited ("Apex"), a wholly-owned subsidiary of the Company, acquired 50 per cent. of the issued share capital of Aspirations Limited ("Aspirations"), the owner of a site (Hoxton, London) on which the Company plans to develop a new apart-hotel under the "art'otel" brand. The investment in Aspirations is recorded as a jointly controlled entity.

The consideration for the 50 per cent. interest in Aspirations was £3.0 million (€4.0 million) in cash. In addition, Apex advanced a loan of approximately £8.0 million (€10.6 million) to Aspirations. Following completion of the construction of the hotel, Aspirations will be indebted to each of its shareholders for the same amount and on the same terms. The consideration for the shares and the loan from Apex to Aspirations was funded by the Company from its existing cash resources. Park Plaza Hotels Europe B.V. (a subsidiary of the Company) has entered into an agreement with

NOTE 3 BUSINESS COMBINATIONS (Continued)

Aspirations to operate and manage the hotel for an initial term of 20 years from the opening of the hotel onwards (see Note 17c(1)(ii)).

The Group reports its interest in Aspiration using proportionate consolidation.

c. On 28 April 2010, the Group acquired a large conference hotel in The Netherlands, located near Amsterdam Schiphol Airport. The hotel was acquired for approximately €2.0 million (attributable to the Group €1.0 million) from Melbourne Onroerende Zaken B.V. and is owned through Schiphol Victoria Hotel C.V., a joint venture controlled 50:50 by the Company and Elbit Imaging Ltd ("Elbit"). The Company and Elbit each contributed equity of approximately €1.0 million as consideration for the acquisition. The hotel, formerly operated as the 'Holiday Inn Amsterdam Schiphol', opened in 2007. Given its close proximity to Amsterdam Schiphol Airport, the hotel was re-branded as Park Plaza Amsterdam Airport ("Schiphol hotel").

The fair value of the identifiable assets and liabilities as at the date of acquisition and the corresponding carrying amount immediately before is presented below:

	Fair value recognised on acquisition	Previous carrying amount
	€'000	€'000
Property plant and equipment	15,308	15,293
Trade receivables	350	350
Cash and cash equivalent	261	261
Other current assets	43	43
	15,962	15,947
Trade creditors	(142)	(142)
Long-term loans	(14,000)	(14,000)
Other current payables and accruals	(394)	(394)
	(14,536)	(14,536)
Net assets acquired	1,426	1,411
Negative goodwill	(308)	
Total consideration	1,118	

Cash flow on acquisition	€'000
Net cash acquired with the subsidiary	261
Cash paid	(1,000)
Net cash outflow	(739)

The fair value of the property plant & equipment was evaluated by BDO Ziv Haft using the DCF approach of discounted forecasted cash flows. The fair value estimate is based on:

- A discount rate of and terminal rate of 8 per cent.
- Cash flow forecast based on the Group's budgets and based on rebranding the hotel as Park Plaza.
- A reinvestment of 3.5 per cent. of total revenue of the hotel.

From the date of acquisition, Schiphol hotel has contributed €2.4 million of revenue and a loss of €0.1 million to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, Schiphol hotel would have contributed €4.1 million of revenue and a loss of €0.8 million to the net profit before tax of the Group.

Transaction costs due to this transaction were not material.

The negative goodwill is an outcome of the benefit that the Company sees from adding Park Plaza Schiphol hotel to the Group's portfolio as a result of a bargain purchase.

NOTE 3 BUSINESS COMBINATIONS (Continued)

The acquisition was financed via an increase to the existing facility with Aareal Bank AG ("Aareal"). The enlarged facility, the maturity of which has been extended to 27 April 2017, has a value of €111.0 million (attributable to the Group €57.0 million) and includes €28.0 million (attributable to the Group €14.0 million) for the purchase and €5.0 million for renovations and updates to the Schiphol hotel and certain of the other Group's hotels. For further information on the loan see Note 17 a(2).

d. On 4 August 2010, the Company acquired, through its wholly-owned subsidiary, Euro Sea Hotels N.V. ("Euro Sea"), the entire issued share capital of each of Hotel Leeds Holding B.V. ("Leeds"), Hotel Nottingham Holding B.V. ("Nottingham") and Nottingham Park Plaza Hotel Operator Limited ("NPPHOL") from Leno Hotel Holding B.V. ("Leno"), a wholly-owned member of the Red Sea group the controlling shareholder, for an aggregate cash consideration of £3.3 million (€4.0 million).

The Company also acquired Leno Investment Limited ("Leno Investment"), a wholly-owned subsidiary of Leno, for £1. Prior to its acquisition by Euro Sea, Leno Investment acquired certain bank loans owed by Leeds and Nottingham ("the Loans") for a total consideration of £5 million (€6.0 million), which represents a substantial discount to the book value of the Loans. Of the consideration, £2 million (€2.4 million) was paid on completion of the acquisition of the Loans (the "initial consideration") and the remaining £3 million (€3.6 million) has been deferred on a stepped interest bearing mechanism of LIBOR plus 6 per cent. on the first year, LIBOR plus 8 per cent. on the second year and LIBOR plus 10 per cent. on the third year. The amount is due no later than 3 years from the date of acquisition. The principal balance of £3 million (€3.6 million), repayment of which is guaranteed by Euro Sea, will become repayable earlier on the occurrence of certain events, including a disposal of either of the hotels or any dilution of the Group's interest in Leno Investment. In addition, if there is a sale or other disposal of the leasehold interests in either or both of the hotels at any time during the two-year period ending 3 August 2012 for an aggregate consideration in excess of £25 million (€30.3 million), Leno Investment will be required to pay further consideration to the original lender equal to 50 per cent. of the excess. As the Company presently has no intention of disposing of the interest in these hotels, no amount has been taken in respect of this contingent liability. Euro Sea provided Leno Investment with the necessary funds to meet the payment of the initial consideration for the Loans and has agreed to finance the deferred consideration payable when it becomes due.

Management fees of £3.3 million (€4.0 million) owed by NPPHOL to Park Plaza Hotels Europe BV ("PPHE") were paid in full prior to the acquisition of NPPHOL by Euro Sea.

As part of the transaction, the Company has also acquired the entire issued share capital of Waterford Investments Limited ("Waterford") from Julian Donn for £1. Waterford's principal assets are:

(i) the freehold of Park Plaza Leeds hotel ("Leeds hotel") (held through Waterford's wholly-owned subsidiary, Laguna Estates (Leeds) Limited ("Laguna")).

(ii) a long lease of the main site of Park Plaza Nottingham hotel ("Nottingham hotel") which runs until 2145 (held through Waterford's wholly-owned subsidiary, Katmandu Limited ("Katmandu")); and

(iii) a long lease of land for storage use adjoining Nottingham hotel which runs until 2061 (held through Katmandu).

Laguna has a term facility from The Royal Bank of Scotland plc. Prior to completion of the acquisition of Waterford, the Company provided Laguna with funds to enable it to reduce the amount outstanding under this facility by £1.3 million (€1.5 million) which was a condition of the bank's consent to the change of control of Waterford. Immediately following such repayment, approximately £13.6 million (€15.8 million), was outstanding, of which £11.3 million (€13.7 million) carries a variable interest of three month LIBOR plus 1.3 per cent. per annum and £2.3 million (€2.8 million) carries a variable interest of three month LIBOR plus 1.7 per cent. per annum. The facility is repayable in 2019. Laguna entered into a swap agreement to fix the variable interest to an interest rate of 5.1 per cent. For further information see Note 31 (3).

Katmandu has a term facility from National Westminster Bank PLC, under which approximately £5.9 million (€7.2 million) was outstanding on acquisition. The loan carries a variable interest of three month LIBOR plus 1.3 per cent. per annum and is repayable in 2027. Katmandu entered into a swap

NOTE 3 BUSINESS COMBINATIONS (Continued)

agreement to fix the variable interest to an interest rate of 5.5 per cent. For further information see Note 31 (3).

As part of the acquisition of Waterford, the Company's wholly-owned subsidiary, Park Plaza Hotels Europe Holdings B.V. ("PPHEH"), acquired from Martin Morris a deep discount bond for a cash consideration of £2.0 million (€2.4 million).

As a result of these transactions, Leeds hotel and Nottingham hotel are now fully-owned as well as operated by the Group. This will facilitate the planned refurbishment of the two hotels.

The fair value of the identifiable assets and liabilities as at the date of acquisition and the corresponding carrying amount immediately before is presented below:

	Fair value recognised on acquisition	Previous carrying amount
	€'000	€'000
Property plant and equipment	40,316	55,934
Trade receivables	402	402
Cash and cash equivalent	757	757
Other current assets	459	459
	41,934	57,552
Long-term loans	(22,782)	(27,473)
Other long term liabilities	(4,691)	(4,691)
Trade creditors	(648)	(648)
Other current payables and accruals	(1,681)	(1,681)
	(29,802)	(34,493)
Net assets acquired	12,132	23,059
Negative goodwill	(1,756)	
Total consideration	10,376	

Cash flow on acquisition	€'000
Net cash acquired with the subsidiary	757
Cash paid	(10,376)
Net cash outflow	(9,619)

The fair value of the property plant & equipment was evaluated by BDO Ziv Haft using the DCF approach of discounted forecasted cash flows. The fair value estimate is based on:

- A discount rate of and terminal rate of 8 per cent.
- Cash flow forecast based on the Group's budgets.
- A reinvestment of 3.5 per cent. of total revenue of the hotel and additional future refurbishment of total £1.5 million (€1.7 million) in 2012.

From the date of acquisition, Leeds and Nottingham has contributed €4.7 million of revenue and a loss of €0.5 million to the net profit before tax of the Group. If the combination had taken place at the beginning of the year, revenue Leeds and Nottingham would have contributed €10.9 million of revenue and a loss of €2.1 million to the net profit before tax of the Group.

Transaction costs due to this transaction were not material.

The negative goodwill is an outcome of the benefit that the Company sees from adding Leeds hotel and Nottingham hotel to the Group's portfolio as a result of a bargain purchase.

e. On 31 December 2010 ("the closing date"), the Company acquired from Elbit, through, PPHEH, the entire issued share capital of each of the holding companies of Park Plaza Sherlock Holmes Hotel ("Sherlock Holmes Hotel"), Park Plaza Victoria Hotel ("Victoria London Hotel"), Park Plaza

Riverbank Hotel (including Plaza on the River) ("Riverbank Hotel"), which the Group does not already own. Prior to the acquisition, the Group owned 50 per cent. of Victoria London Hotel and 55 per cent. of Sherlock Holmes Hotel and Riverbank Hotel. The total nominal consideration for the acquisition was £21 million (€24.4 million), subject to the adjustments, as described below:

- The Euro equivalent of £8 million (€9.3 million) as at completion, to be paid by the Group in 7 equal quarterly instalments with interest of 7 per cent. per annum payable quarterly. The first instalment payable at completion of the acquisition;
- The Euro equivalent of £8 million (€9.3 million) as at completion, to be paid by the Group in December 2013 with interest of 7 per cent. per annum payable quarterly;
- £1.5 million (€1.7 million) by the issue of 1,000,000 of the Company's shares ("the consideration shares"). Elbit is subject to a lock-up until the first anniversary of completion, following which the Company will have a right of first refusal in respect of the consideration shares; and
- £3.5 million (€4.1 million) to be paid as to £1.8 million (€2.0 million) in December 2015, £0.9 million (€1.0 million) in December 2016 and £0.9 million (€1.0 million) in December 2017. This amount may be reduced depending on the performance of the Company's shares during the five-year period following completion and should be paid as follows: £1.8 million (€2.0 million) on December 2015 ("settlement date"); the remaining amount is paid in two equal instalments on the sixth anniversary (December 2016) and seventh anniversary (December 2017) of the closing date. The amount is adjusted as follow:

  (a) If at the settlement date, the average share price of the Company (over the last 60 business days) is higher than £5, the remaining cash payment is cancelled.

  (b) If at the settlement date, the average share price of the Company (over the last 60 business days) is lower than £5 but higher than £1.5, the remaining cash payment will be reduced by the difference between the share price and £1.5 multiplied by the amount of shares issued to Elbit (1 million).

  (c) If at the settlement date, the average share price of the Company (over the last 60 business days) is lower than £1.5 the remaining cash payment is £3.5 million (€4.1 million).

The Company has been granted the option to buyback all of the consideration shares which Elbit may own from time to time at a price of £5 per share. If this option were exercised, the balance of the £3.5 million (€4.1 million) (under (c) above will be reduced by an amount equal to £3.5 multiplied by the number of shares actually purchased. Any such exercise would require shareholders' approval under Guernsey law.

All amounts due to Elbit are fully guaranteed by the Company.

As the Company achieved control over these hotels, which were previously under joint control, the transaction is accounted for as a business combination achieved in stages ("step acquisition"). Accordingly, management re-measured its previously held equity interests in these hotels at the acquisition date at fair value and recognised a gain of €50.8 million, including reclassification adjustment of foreign currency translation reserve of €9.4 million.

Following the purchase loans amounting to a total of £30.1 million (€34.9 million) given from Elbit to the purchased companies were assigned to PPHEH.

NOTE 3 BUSINESS COMBINATIONS (Continued)

The fair value of the identifiable assets and liabilities as at the date of acquisition and the corresponding carrying amount immediately before is presented below:

	Fair value recognised on acquisition	Previous carrying amount
	€'000	**€'000**
Property plant and equipment	173,728	92,705
Trade receivables	1,374	1,374
Cash and cash equivalent	4,282	4,282
Other current assets	4,603	6,419
	183,987	104,780
Long-term loans	(86,756)	(86,756)
Other non-current liabilities	(8,634)	(8,634)
Trade creditors	(2,018)	(2,018)
Short-term loans	(1,306)	(1,306)
Other current payables and accruals	(12,613)	(12,613)
	(111,327)	(111,327)
Net assets acquired	72,660	(6,547)
Negative goodwill	(7,933)	
Capital gain from obtaining control in a former jointly controlled entity	(41,435)	
Total consideration	23,292	

Cash flow on acquisition	**€'000**
Net cash acquired with the subsidiary	4,282
Cash paid	(1,337)
Net cash outflow	2,945

The fair value of the property plant & equipment was evaluated by Savills using the DCF approach of discounted forecasted cash flows. The fair value estimate is based on:

- A discount rate of 10.75 per cent. for Sherlock Holmes hotel and 8.75 per cent. for Victoria London Hotel and Riverbank Hotel.
- A terminal value of 8.25 per cent. for Sherlock Holmes hotel and 6.25 per cent. for Victoria London hotel and Riverbank hotel, calculated based on long-term sustainable growth rates for the industry ranging from 2.5 per cent. – 4 per cent. which has been used to determine income in the future years.
- Cash flow forecast based on the Group's budgets.
- A reinvestment of 3.5 per cent. of total revenue of the hotel.

From the date of acquisition, Sherlock Holmes hotel, Victoria London Hotel and Riverbank Hotel have no contribution to the Group's results. If the combination had taken place at the beginning of the year, revenue Sherlock Holmes hotel, Victoria London Hotel and Riverbank Hotel would have contributed €26.5 million of revenue and a loss of €8.5 million to the net profit before tax of the Group.

Transaction costs due to this transaction were not material.

For additional information provided in connection with the three years' performance and the financial position of the acquired jointly controlled entities please refer to Appendix C.

NOTE 4 INTANGIBLE ASSETS

	Park Plaza Hotels & Resorts management and franchise rights (a)	art'otel rights (b)	Total
	€'000	€'000	€'000
COST:			
Balance as at 1 January 2008	48,404	4,000	52,404
Balance as at 31 December 2008	48,404	4,000	52,404
ACCUMULATED AMORTISATION:			
Balance as at 1 January 2008	1,209	100	1,309
Provision for impairment	—	1,027	1,027
Amortisation	2,421	200	2,621
Balance as at 31 December 2008	3,630	1,327	4,957
Amortised cost as at 31 December 2008	44,774	2,673	47,447
COST:			
Balance as at 1 January 2009	48,404	4,000	52,404
Balance as at 31 December 2009	48,404	4,000	52,404
ACCUMULATED AMORTISATION:			
Balance as at 1 January 2009	3,630	1,327	4,957
Amortisation	2,421	144	2,565
Balance as at 31 December 2009	6,051	1,471	7,522
Amortised cost as at 31 December 2009	42,353	2,529	44,882
COST:			
Balance as at 1 January 2010	48,404	4,000	52,404
Balance as at 31 December 2010	48,404	4,000	52,404
ACCUMULATED AMORTISATION:			
Balance as at 1 January 2010	6,051	1,471	7,522
Amortisation	2,420	149	2,569
Balance as at 31 December 2010	8,471	1,620	10,091
Amortised cost as at 31 December 2010	39,933	2,380	42,313

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

1. Management rights — rights held by the Group relating to the management of Park Plaza® Hotels & Resorts in Europe, the Middle East and Africa. The management rights are included in the Consolidated financial statements at their fair value as at the date of acquisition and are being amortised over a period of 20 years, based on the terms of the existing contracts and management estimation of their useful life. The remaining amortisation period is 16.5 years.

2. Franchise rights — relating to the brand Park Plaza® Hotels & Resorts are included in the Consolidated financial statements at their fair value as at the date of acquisition and are being amortised over 20 years, based on management's estimation of their useful life. The remaining amortisation period is 16.5 years.

b. Acquisition of art'otel® rights:

The Company acquired in July 2007, the worldwide rights to use the art'otel® brand name for an unlimited period of time. The rights are being amortised over 20 years based on management's estimation of their useful life. The remaining amortisation period is 16.5 years.

NOTE 4 INTANGIBLE ASSETS (Continued)

c. **Impairment testing of intangible assets:**

The recoverable amounts of the intangible assets have been determined in 2010 by internal value in use calculations using discounted cash flow projections for the relevant cash generating units from financial budgets approved by Senior Management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 9.5 per cent. (2009 and 2008: 9.5 per cent.) and cash flows beyond the five-year period are extrapolated using a 1 per cent. (2009 and 2008: 2.5 per cent.) growth rate. Based on these calculations, the carrying amounts of the intangible assets do not exceed their recoverable amounts.

In 2008, the Group recorded an impairment loss in respect of the art'otel rights in the amount of €1,027,000, which was determined based on a value in use calculation for which cash flows were discounted at a pre-tax rate of 9.5 per cent.

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

	Land	Hotel buildings	Furniture and equipment	Total
	€'000	€'000	€'000	€'000
COST:				
Balance as at 1 January 2008	56,922	126,020	47,491	230,433
Additions during the year	168	2,501	3,149	5,818
Acquisition of Aspiration (Note 3)	14,607	—	—	14,607
Adjustment for exchange rate differences	(11,186)	(17,038)	(8,743)	(36,967)
Balance as at 31 December 2008	60,511	111,483	41,897	213,891
ACCUMULATED DEPRECIATION:				
Balance as at 1 January 2008	1,112	8,572	17,080	26,764
Provision for depreciation	257	1,573	4,809	6,639
Provision for impairment	—	1,257	—	1,257
Adjustment for exchange rate differences	(152)	(891)	(3,648)	(4,691)
Balance as at 31 December 2008	1,217	10,511	18,241	29,969
Depreciated cost as at 31 December 2008	59,294	100,972	23,656	183,922
COST:				
Balance as at 1 January 2009	60,511	111,483	41,897	213,891
Additions during the year	944	1,186	1,215	3,345
Disposals	—	—	(340)	(340)
Adjustment for exchange rate differences	2,982	4,132	2,179	9,293
Balance as at 31 December 2009	64,437	116,801	44,951	226,189
ACCUMULATED DEPRECIATION:				
Balance as at 1 January 2009	1,217	10,511	18,241	29,969
Adjustment for exchange rate differences	84	240	965	1,289
Disposals	—	—	(195)	(195)
Provision for depreciation	241	1,387	4,873	6,501
Balance as at 31 December 2009	1,542	12,138	23,884	37,564
Depreciated cost as at 31 December 2009	62,895	104,663	21,067	188,625
COST:				
Balance as at 1 January 2010	64,437	116,801	44,951	226,189
Acquisition of a subsidiary	92,617	132,131	4,604	229,352
Additions during the year	715	15,417	21,050	37,182
Reclassification from inventories under construction	22,395	132,727	5,338	160,460
Disposals	—	—	(45)	(45)
Adjustment for exchange rate differences	(101)	(484)	708	123
Balance as at 31 December 2010	180,063	396,592	76,606	653,261
ACCUMULATED DEPRECIATION:				
Balance as at 1 January 2010	1,542	12,138	23,884	37,564
Disposals			(30)	(30)
Provision for depreciation	253	3,474	6,104	9,831
Adjustment for exchange rate differences	41	101	512	654
Balance as at 31 December 2010	1,836	15,713	30,470	48,019
Depreciated cost as at 31 December 2010	178,227	380,879	46,136	605,242

(1) The recoverable amount of property, plant and equipment has been determined based on external and internal value in-use calculations using discounted cash flow projections for the relevant cash generating units. These projections are based on financial budgets approved by Senior Management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 9 per cent.–11 per cent. (2009 and 2008: 9.5 per cent.–11.5 per cent.) and cash flows beyond the five-year period

NOTE 5 PROPERTY, PLANT AND EQUIPMENT (Continued)

are extrapolated using a growth rate of 2 per cent.–2.5 per cent. (2009 and 2008: 2.0 per cent.–2.5 per cent.). No impairment indications came out of this valuation.

	31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
(2) Cumulative expenditures for hotels under construction included in cost balances	**3,387**	3,803	2,098

a. Cumulative expenditure for hotels under development relates to the renovation and conversion of the Victoria Monument building (located in Amsterdam) into a hotel and to the development of art'otel hoxton (located in London).

b. The amount of borrowing costs capitalised during the year ended 31 December 2010 was €234,000 (2009: €322,000, 2008: €462,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.3 per cent., (2009–4.6 per cent., 2008–6.6 per cent.) which is the effective interest rate of the specific borrowing.

(3) For information regarding liens, see Note 17.

NOTE 6 APART-HOTEL UNITS SOLD TO UNIT HOLDERS

	Land	**Hotel buildings**	**Furniture and equipment**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
COST:				
Balance as at 1 January 2010	—	—	—	—
Reclassification from inventories under construction	19,296	135,787	5,503	160,586
Balance as at 31 December 2010	19,296	135,787	5,503	160,586
Accumulated depreciation:				
Balance as at 31 December 2010	—	—	—	—
Depreciated cost as at 31 December 2010	19,296	135,787	5,503	160,586

The construction of Park Plaza Westminster Bridge hotel, London was significantly completed in 2010 and the hotel partially opened to paying customers in March 2010. As at 31 December 2010, the sale of 535 units out of the 865 units contracted to sale, had been legally completed .On the completion of each sale the purchaser was issued a "B" Ordinary Share in the management company of the hotel, 1 Westminster Bridge Plaza Management Company Limited ("1WB"). Marlbray, a wholly-owned subsidiary of the Group and the owner of the freehold of the hotel, holds the sole voting share, being an "A" Ordinary Share. This results in Marlbray having control in 1WB until the later of:

1. The completion date of the sale of the last of the units forming part of Park Plaza Westminster Bridge hotel; and
2. The expiry of the period of guaranteed returns to purchasers (i.e. 5 years from the last completion),

Provided that the relevant date shall not in any event be later than 31 December 2017.

As long as control over 1WB, and therefore the indirect control over the apart-hotel units, stays within the Group, all of the conditions for revenue recognition from the sale of apart-hotel units are not met. Hence, in these Consolidated financial statements the assets have not been derecognised and the proceeds received from the purchasers have been accounted for as an advance payment until such time as they can be recognised as revenue (see Note 2j).

NOTE 7 PREPAID LEASEHOLD PAYMENTS

	Year ended 31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
COST:			
Balance as at 1 January	**448**	448	448
Balance as at 31 December	**448**	448	448
Accumulated amortisation:			
Balance as at 1 January	**194**	185	176
Provision for amortisation	**10**	9	9
1Balance as at 31 December	**204**	194	185
Amortised cost as at 31 December	**244**	254	263

In 1988, Utrecht Victoria Hotel B.V, a jointly controlled company, has entered into a land lease agreement for a period of 50 years ending in 2038, for a lump sum payment of €448,000 at commencement of the lease.

NOTE 8 INVESTMENT IN ASSOCIATE

a. Acquisition of WM/DMREF Bora B.V.:

In April 2008, Euro Sea, a wholly-owned subsidiary of the Company, acquired 20 per cent. of the shares of WM/DMREF Bora B.V. ("Bora") from a group of real estate investment funds. Bora currently owns approximately 74 per cent. of Arenaturist, a public company listed on the Zagreb (Croatia) Stock Exchange, and 100 per cent. of three related private companies. These companies together own eight hotels and five apartment complexes in or around Pula on the Istrian coast of Croatia. As part of the transaction, the Company also acquired 20 per cent. of the debt currently owed by to Bora to its shareholders. The total consideration of the acquisition, including the debt acquired, was €22.4 million, which was funded by the Company from its existing cash resources. The investment in Bora is accounted for under the equity method in accordance with IAS 28.

Until 31 December 2009 the loan of €23.7 million had a fixed interest at the rate of 4.0 per cent. per annum. As of 1 January 2010 the interest rate has changed to a fixed rate of 8.9 per cent. per annum and the denomination of the loan has changed from Euro to Kuna. The repayment date of the loan is 15 July 2017.

b. Investment in associate:

	31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Loan to associate	**25,695**	23,715	22,759
Share of associate's net assets under equity method	**(3,730)**	(1,368)	(79)
Foreign currency translation adjustment of associate	**175**	121	—
Loan to associate (adjusted for losses recognised under the equity method)	**22,140**	22,468	22,680

NOTE 8 INVESTMENT IN ASSOCIATE (Continued)

c. Share of the associate's balance sheet:

	31 December		
	2010	2009	2008
	€'000	€'000	€'000
Current assets	**1,636**	1,540	1,311
Non-current assets	**30,749**	31,742	32,331
Current liabilities	**(1,827)**	(1,396)	(2,446)
Non-current liabilities	**(34,113)**	(33,133)	(31,275)
Net liabilities	**(3,555)**	(1,247)	(79)
Loan to associate:			
Opening balance	**23,715**	22,759	—
Additions during the period	**—**	—	22,094
Interest on loans	**2,206**	956	665
Foreign translation reserve	**(226)**	—	—
Closing balance	**25,695**	23,715	22,759
Share of the associate's revenue and loss:			
Revenue	**6,486**	5,921	5,932
Loss	**(2,362)**	(1,195)	(1,037)

NOTE 9 OTHER CURRENT FINANCIAL ASSETS

	As at 31 December		
	2010	2009	2008
	€'000	€'000	€'000
Available-for-sale investment shares(1)(2)(3)	**1,671**	3,142	2,265
Available-for-sale investment in bonds stated in GBP(3)	**—**	11,394	—
Investment in held-to maturity bonds in GBP(4)	**—**	—	21,587
	1,671	14,536	23,852

(1) Available-for-sale investment in equities:

Currency	31 December		
	2010	2009	2008
	€'000	€'000	€'000
GBP	**—**	—	302
ILS	**144**	137	164
EUR	**1,409**	1,808	—
USD	**118**	1,197	1,574
JPY	**—**	—	81
CHF	**—**	—	144
	1,671	3,142	2,265

(2) The fair value of the available-for-sale investment in shares and bonds is based on quoted market prices.

(3) Gains from unrealised available-for-sale investment in shares and bonds for an amount of €289,000 (2009: €348,000, 2008; €249,000) were recorded in equity. Profit of €346,000 was classified to the income statement (2009: losses of €246,000, 2008: nil).

(4) Consist of United Kingdom's government bonds of €21,414,000 principal amount, bearing interest at an annual rate of 4 per cent. and an effective annual rate of 2.1 per cent. The bonds matured in 2009.

NOTE 10 OTHER NON-CURRENT FINANCIAL ASSETS

	As at 31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Rent security deposits[1]	**811**	826	986
Loans to jointly controlled entities (see Note 29)[2]	**18,795**	17,338	14,368
Loans to partners in jointly controlled entities[2]	**7,783**	17,142	15,854
Related parties[2]	**—**	—	302
	27,389	35,306	31,510

(1) Relates to leases described in Note 17c(2).

(2) The amount owned by related parties bears interest and has no repayment date.

NOTE 11 INVENTORIES UNDER CONSTRUCTION

Marlbray is the developer of Park Plaza Westminster Bridge London. 535 apart-hotel units were sold to individuals and were delivered to the purchasers upon completion of their purchase.

As at 31 December 2010, 865 (2009: 854, 2008; 818) of the 1,019 apart-hotel units had been pre-sold or contracted to pre-sell. Completion of the partial construction was in March 2010. As of the partial completion of the construction the apart-hotel units had been reclassified to property, plant and equipment.

As at 31 December 2010 535 contracts have been completed and 330 contracts have been rescinded, leaving 484 units retained by Marlbray (see Note 2j, 5 and 6).

NOTE 12 TRADE RECEIVABLES

a. Composition:

	As at 31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Trade receivables	**13,619**	4,484	3,860
Related parties	**3,985**	10,147	7,904
Less—allowance for doubtful debts	**(428)**	(246)	(244)
	17,176	14,385	11,520

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

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

	€'000
As at 1 January 2008	296
Release for the year	(42)
Exchange rate differences	(10)
As at 31 December 2008	244
Release for the year	(4)
Exchange rate differences	6
As at 31 December 2009	246
Additions	176
Exchange rate differences	6
As at 31 December 2010	428

NOTE 12 TRADE RECEIVABLES (Continued)

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

	Total	Neither past due nor impaired	Past but not impaired			
			< 30 days	30-60 days	60-90 days	> 90 days
	€'000	€'000	€'000	€'000	€'000	€'000
2010	**17,176**	**2,189**	**6,602**	**3,631**	**1,183**	**3,571**
2009	14,385	1,112	3,415	1,218	437	8,203
2008	11,520	1,827	4,424	1,111	548	3,610

NOTE 13 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December		
	2010	2009	2008
	€'000	€'000	€'000
Prepaid expenses	**4,082**	1,457	1,566
VAT	**1,506**	1,690	1,538
Corporate income tax	**—**	170	45
Related parties*	**1,252**	1,184	568
VAT Loan to unit holders**	**2,160**	—	—
Others	**557**	636	426
	9,557	5,137	4,143

* The amount owed by related parties bears no interest and has no repayment date.

** The loans are for a period of five months and bear fixed interest of 1 per cent. monthly.

NOTE 14 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 15 EQUITY

a. Share capital and premium:

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

On 29 December 2010 the Company issued 1,000,000 Ordinary shares to Elbit which increased the share premium with £1.49 million (€1.73 million) (see Note 3c)

As at 31 December 2010, the number of Ordinary shares issued was 42,677,292 (2009 and 2008: 41,677,292), 862,000 of which were held as treasury shares (2009: 862,000, 2008–0).

b. Treasury shares:

On 29 September 2009, the Company purchased 862,000 of its Ordinary shares at a price per share of 111p.

c. Nature and purpose of reserves:

Hedging reserve

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

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.

NOTE 15 EQUITY (Continued)

Other reserves

The other reserves mainly consist of issue of shares upon acquisition of Park Plaza Group in 2007.

NOTE 16 SHARE-BASED PAYMENTS

During 2007, the Company established a Share Option Plan with the following principal terms:

a. The Plan has two types of options: Option A and Option B. Both options had an exercise price per share of £5.50 (€6.20). Option A vests over a period of three years from date of grant and Option B vests at the end of three years from grant date. Unexercised options expire 10 years after the date of grant. The plan does not include any performance conditions.

b. At any time, the total number of shares issued and/or available for grant (in a ten-year period) under the Share Option Plan or under any other employee share scheme which the Company may establish in the future may not exceed 5 per cent. of the Company's issued share capital at that time. For the purpose of this calculation, any option granted under the Share Option Plan immediately following Admission to the AIM in July 2007 is disregarded.

The Group's Remuneration Committee met on 11 May 2009, to consider the options packages of all employees to ensure they are properly incentivised in the future. On 10 June 2009, the Remuneration Committee made its recommendations to the Board of Directors and the Board agreed to amend the options packages of all current employees. As a result, the options of current employees have been re-priced to market value on 10 June 2009, being the day on which the recommendation of the Remuneration Committee was accepted by the Board. The updated strike price is 100p. The Board also agreed to the Remuneration Committee's recommendation to grant additional share options for ordinary shares to current employees.

The fair value of the options is estimated at the grant date using the binomial pricing model according to the terms and conditions upon which the options were granted.

The following lists the inputs to the binomial model used in 2010 for the fair value measurement of both the modified share options plan and the previous granted share options:

	2010
Dividend yield (%)	**—**
Expected volatility of the share prices (%)	**55.00**
Risk-free interest rate (%)	**3.04**
Expected life of share options (years)	**3.00**
Share price at the grant date	**0.95**
Weighted average fair value (GBP)	**£0.35**

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 be reflective of the actual outcome.

Based on the above inputs, the fair value of the re-priced options and the additional granted options is approximately £150,000 (€169,000) as at the grant date. The incremental value of the re-priced options is £0.33.

The expense arising from equity-settled share-based payment transactions during 2010 is €30,000 (2009: €177,000, 2008: €16,000). During 2010, 93,473 options are exercisable (2009: 84,662, 2008: 98,078).

NOTE 16 SHARE-BASED PAYMENTS (Continued)

Movements during the year

The following table illustrates the number (No.) and exercise prices (EP) of, and movements in, share options during 2010 and 2009.

	No. of options A	No. of options B	EP
Outstanding as at 1 January 2008	296,634	90,660	£5.50 (€6.2)
Options granted/exercised during the year	—	—	—
Outstanding as at 31 December 2008	296,634	90,660	£5.50 (€6.2)
Options A granted during the year	6,010	—	£1.00 (€1.12)
Options A forfeited during the year	(113,094)	—	£1.00 (€1.12)
Options B granted during the year	—	166,193	£1.00 (€1.12)
Options B forfeited during the year	—	(17,803)	£1.00 (€1.12)
Outstanding as at 31 December 2009	189,550	239,050	
Outstanding as at 31 December 2010	189,550	239,050	

The weighted average remaining contractual life for the share options outstanding as at 31 December 2010 is 8.0 years (2009: 8.5 years, 2008: 8.5 years).

NOTE 17 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. For certain loans, the Group companies are required to comply with certain financial and operating covenants as described below:

1. On 3 March 2006, three jointly controlled companies, Riverbank Hotel Holding B.V., Victoria London Hotel Holding B.V and Grandis Netherlands Holding B.V. (the "Borrowers") entered into a facility agreement as joint and several borrowers with Goldman Sachs International Bank ("Goldman Sachs") as lender for a non-recourse refinancing loan in the amount of £195.0 million (€205.0 million) of which £181.9 million (attributable to the Group £99.0 million) (including accrued interest) was outstanding as at 26 November 2010. The Loan term ended on 3 March 2011 or, if the Borrowers have exercised a Term-out Option, 3 March 2013.

   In the event of cash distributions deriving from the sale, disposal or refinancing of two or more of the hotels on which the Loan is secured exceeding £195.0 million on repayment of the Loan the Borrowers are required to pay to the Lender an exit fee equal to 15 per cent. of the difference between the market value of the hotels at the date of the relevant transaction and the base value of the hotels for the purposes of the Loan. The payment amortisation schedule of the Loan as at 31 December 2009 includes an amount of €3.2 million (attributable to the Group €1.7 million) (2008: €2.2 million (attributable to the Group €1.2 million)) in respect of the exit fee.

   On 26 November 2010 the Borrowers agreed with Aareal the refinancing of the €195 million loan facility made by Goldman Sachs. The refinancing involves 5-year term facilities (the "Facilities") totalling £165.0 million (€191.5 million) with Aareal. The Facilities are secured by, inter alia, pledges over the shares in the Borrowers and first legal charges over Riverbank hotel and Victoria hotel and, subject to obtaining the necessary consent, will be secured by a first legal charge over Sherlock Holmes hotel. As at 31 December 2010 the Borrowers are fully owned by the Company (see Note 3c)

   In addition to the new Facilities, the Company together with Elbit provided an equity injection of £16.6 million (€19.3 million) (£8.9 million (€10.3 million) of which was provided by Park Plaza) in order to enable the Borrowers to repay the balance of the amount that was outstanding to Goldman Sachs.

NOTE 17 PLEDGES, CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

The exit fee in an outstanding amount of £3.4 million (€3.9 million) (attributable to the Group £1.6 million (€1.9 million)) was waived by Goldman Sachs and recorded in the income statements deducting the finance expenses.

The termination of the interest rate swap that had been entered into in connection with the Goldman Sachs facility resulted in costs of £14.4 million (€23.1 million) (the "Close-Out Costs"), which, as part of the overall financing, were settled by Aareal. The Borrowers have undertaken to pay to Aareal the value of the Close-Out Costs plus interest over the three years following the refinance by way of additional margin (the Close-Out Margin) on the fixed rate of interest under the new interest rate swap with Aareal referred to below. The Close-Out Margin amounts to 3.265 per cent. The Company has severally guaranteed the Borrowers' obligations in respect of the Close-Out Costs plus interest.

The facility agreement with Aareal provide for two facilities. Facility A has a value of £153.6 million (€178.3 million) and is allocated to Riverbank and Victoria and will bear interest at 2.75 per cent. per annum over 3-month Sterling LIBOR (LIBOR). The interest on 85 per cent. of Facility A (£130.6 million (€151.6 million)) has been fixed (by means of an interest rate swap with Aareal) at 5.295 per cent. per annum (including the Close-Out Margin) for the first 3 years and 3.275 per cent. for the remaining 2 years. On top of these fixed rates a margin of 2.75 per cent. per annum will be applied. The 15 per cent. remaining balance of Facility A will bear interest at 2.75 per cent. per annum over 3 months Sterling LIBOR (LIBOR).

Facility B has a value of £11.4 million (€16.2 million) and is allocated to Grandis (Facility B) and will initially bear interest of 5.0 per cent. per annum over LIBOR reducing to 2.95 per cent. per annum on the grant of security over Sherlock Holmes hotel. The Company has also severally guaranteed principal, interest and costs under Facility B (but not Facility A).

The Facilities are repayable commencing in March 2011 in quarterly instalments of £625,000 until September 2012, £750,000 until September 2014 and £950,000 until September 2015. The balance of the principal amount of the Facilities, amounting to £150.8 million, is repayable on 26 November 2015. Repayments are to be applied first in reducing Facility B.

The Facilities Agreement provides that the Borrowers must ensure that the aggregate amount of the outstanding Facilities do not exceed 68 per cent. of the value of the hotels as set out in the most recent valuation. In addition, the Borrowers must ensure that, on each interest payment date, the Debt Service Cover Ratio (the Net Operating Income of the hotels for each of the four preceding financial quarters relative to the principal, interest and other costs payable by the Borrowers for the next four financial quarters) is not less than 120 per cent. As at 31 December 2010, the Borrowers are in compliance with the covenants.

The facilities are secured by, inter alia, first legal charges over Park Plaza Riverbank and Park Plaza Victoria and, Park Plaza Sherlock Holmes. For further securities see Note 17 4 (b).

2. On 1 October 2004, two jointly-controlled companies, Utrecht Victoria Hotel B.V. and Victoria Hotel C.V., and a wholly-owned subsidiary, The Mandarin Hotel B.V., as borrowers and guarantors, entered into an €80.0 million (attributable to the Group €44.0 million) term loan facility with Merrill Lynch International ("the Merrill facility"). The Merrill facility was repaid in full on maturity in September 2009.

   In September 2009, Victoria Hotel C.V., Utrecht Victoria Hotel B.V. and The Mandarin Hotel B.V. ("the Borrowers"), as joint and several borrowers and guarantors, refinanced the Merrill facility with Aareal as lender for €78.0 million (attributable to the Group €43.0 million). The refinanced facility is being repaid by fixed instalments over a term of five years and one final payment on the final maturity date. The refinanced facility bears a fixed interest rate of 5.116 per cent. per annum.

   On 28 April 2010, the Group acquired Schiphol hotel. The acquisition has been financed via an increase to the existing facility with Aareal. The enlarged facility has a value of €111.0 million which includes €28.0 million for the acquisition and €5.0 million for the prospective renovations of Park Plaza Victoria Amsterdam hotel (€3.0 million, 2008: £155.0 million (€163.0 million) and Schiphol hotel (€2.0 million). The additional facility of €28.0 million bears a fixed interest of 4.56 per cent. per annum and the maturity date of the entire facility has been extended from 30 September 2014 to 28 April 2017.

The Facilities Agreement provides that the Borrowers must ensure that the aggregate amount of the outstanding Facilities do not exceed 65 per cent. of the value of the hotels as set out in the most recent valuation. In addition, the Borrowers must ensure that, on each interest payment date, the Debt Service Cover Ratio (the Net Operating Income of the hotels for each of the four preceding financial quarters relative to the principal, interest and other costs payable by the Borrowers for the next four financial quarters) is not less than 120 per cent. As at 31 December 2010, the Borrowers are in compliance with the covenants. For the first two years following 28 April 2010, the €28.0 million borrowed to fund the acquisition of Park Plaza Amsterdam Airport and the results of this hotel are excluded from the covenant calculation. As at 31 December 2010, the Borrowers are in compliance with these covenants.

In the event of cash distributions deriving from the sale, disposal or refinancing of Park Plaza Amsterdam Airport or upon repayment of the loan, the Borrowers shall pay to the Lender an amount ("exit fee") equivalent to 15 per cent. of the difference between the market value of the hotels at the Transaction date and €30.0 million plus such proven renovation cost and equity injections as proved by the Lender. The estimation on the exit fees as of 31 December 2010 is not material.

On 14 December 2010, the Borrowers and their shareholders have entered into an internal reimbursement agreement to limit the liability in respect of Mandarin for, and reimburse Mandarin for any liability in excess of, €7.9 million (the "Mandarin Loan"). In addition, Mandarin and its shareholder have agreed to reimburse the other parties to the agreement for any liability in connection with the Mandarin Loan.

3. On 25 January 2006, three wholly-owned subsidiaries, Parkvondel Hotel Real Estate B.V. ("PHRE"), as borrower, and Parkvondel Hotel Holding B.V. ("PHH") and Parkvondel Hotel Management B.V. ("PHM"), as guarantors, entered into a €18.5 million secured term facility agreement with NIBC Bank N.V. ("NIBC") as lender. The maturity date of this facility is 25 January 2013.

   In September 2008, PHRE, PHH and PHM refinanced the NIBC facility and entered into a €21.0 million secured term facility agreement with Aareal as lender. The maturity date of this facility is 3 September 2013. For further details, see Note 31h(2).

   The Facility Agreement provides that the Borrowers must ensure that the aggregate amount of the outstanding Facilities do not exceed 70 per cent. of the value of the hotels as set out in the most recent valuation. In addition, the Borrowers must ensure that, on each interest payment date, the Debt Service Cover Ratio ("DSCR") (the Net Operating Income of the hotels for each of the four preceding financial quarters relative to the principal, interest and other costs payable by the Borrowers for the next four financial quarters) is not less than 120 per cent. As at 31 December 2010, the Borrowers are in breach of the DSCR covenant and the loan was reclassified to short term. For further information see (Note 32(1)).

4. On 14 December 2006, a jointly controlled company, Victoria Monument B.V., as borrower, and Bank Hapoalim, as lender, entered into a €14.0 million (attributable to the Group €7.0 million) facility agreement. The facility was made available to finance the purchase of a building located adjacent to Park Plaza Victoria Amsterdam hotel. The facility was initially made for one year and is being renewed every year for an additional year. The facility was repayable in May 2011 and bears an interest of 3 month LIBOR plus 2.25 per cent. per annum (see Note 32(3)).

5. On 19 April 2007, Marlbray, as borrower, entered into a £221.0 million (€232.0 million) facility agreement with Bank Hapoalim, as lender, in relation to the development of Westminster Bridge hotel. On 3 April 2009, Marlbray entered into an amended and restated facility agreement with the bank for an increased amount of £248.0 million. The total drawdown as at 31 December 2010 is £248.0 million (€287.8 million) (2009: £238.0 million (€268.0 million), 2008: £155 million (€163.0 million)). During 2010, the repayment of the facility was financed out of the net proceeds of sales of units in the amount of £154.2 million (€179.0 million) and from forfeited deposits in the amount of £2.1 million (€2.4 million). As at 31 December 2010, the outstanding loan was £93.4 million (€108.4 million) including accrued interest. The facility has been amended and date for repayment has been extended to 31 May 2011 (see Note 32(2)).

The interest rate on the original facility agreement is LIBOR plus 2.15 per cent. per annum and on the increase made available in 2009 is LIBOR plus 3 per cent. per annum. The increase to the facility was fully repaid as at 31 December 2010.

As part of this facility, the lender was provided with cost overrun and completion guarantees given by the Company's subsidiary, Euro Sea Hotels N.V. with a maximum amount payable of £30.0 million (€33.8 million), and a guarantee for the entire amount of the loan.

6. For details on the facilities assumed as part of the acquisition of Leeds hotel and Nottingham hotel, see Note 3(b).

b. Restricted Cash:

In connection with the development and sale by Marlbray of apart-hotel units (see Note 11), Marlbray received deposits from prospective purchasers in respect of pre-sold units (up to 25 per cent. of the contracted sale price). As part of the unit sale agreement, Marlbray was obliged to pay prospective purchasers a fixed interest of 6 per cent. per annum on the deposit until the date of completion (as referred to in such agreement).

As at 31 December 2009, the total amount of deposits received for the pre-sold contracts is approximately £49.0 million (€55.0 million) (2008: £46.2 million (€48.0 million)). The total amount of deposits including accrued interest is approximately £56.6 million (€63.8 million) (2008: £51.0 million (€53.6 million). These deposits are restricted and are held in a separate interest-bearing bank account.

During 2010, Marlbray paid the purchasers on completion of their purchase a total sum of £5.7 million (€6.6 million) on account of accrued interest on the deposits. An amount of £3 million (€3.5 million) was written off and recognized as income due to certain purchasers' failure to complete.

During 2010, deposits in the amount of £38.6 million (€44.8 million), including accrued interest, were released from stakeholder account. The deposits released, off-set the amount due from purchasers on completion of their purchase. Marlbray has also rescinded contracts of defaulting purchasers and forfeited their deposits in the amount of £2.1 million (€2.4 million), of which £1.9 million (€2.1 million) recognized as other income in 2010. These funds were applied by Marlbray towards repayment of the amount outstanding on the facility. As at 31 December 2010, a balance of £15.6 million (€18.2 million) held at stakeholder account, being forfeited deposits, held in respect of the rescinded contracts of purchasers who failed to complete.

c. Commitments:

1. Management and Franchise agreements:

(i) The Group entered into a Territorial Licence Agreement (the "Master Agreement") with Carlson Hotels Worldwide, Inc. ("Carlson"). Under the Master Agreement, the Group, amongst other rights, is granted an exclusive licence to use the brand, "Park Plaza" in 56 territories throughout Europe, the Middle East and Africa in perpetuity (the "Territory").

The Master Agreement also allows the Group to use, and licence others to use, the Carlson Systems within the Territory which right includes the right to utilise the System's international marketing and reservations facilities and to receive other promotional assistance. The Group pays Carlson a fee based on a percentage of the hotels' gross room revenue.

(ii) The Group entered into several management agreements with operated hotels and developed hotels located in The Netherlands, the United Kingdom, Germany, Hungary and Croatia ("the hotels") in consideration for an annual fee of 2 per cent. to 3 per cent. of the hotels' gross room revenues, as well as 7 per cent. to 10 per cent. of the gross operating profit. The Group is also partially reimbursed for certain portions of the expenses incurred. The management agreements are for periods of 15 to 25 years.

(iii) Within the terms of the management agreements, the hotels were granted by the Group a sub-franchise licence allowing them the utilisation, throughout the term of the management agreements, of the "Park Plaza® Hotels & Resorts or art'otel®" name, in consideration for royalties of a certain percentage of the gross room revenues.

NOTE 17 PLEDGES, CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

2. Lease agreements:

(i) The Group has entered into several financial lease agreements for the rental of land. Certain of the leases are subject to periodic rent reviews. The Groups share in the future minimum rental payments under non-cancellable leases are as follows:

	2010	2009	2008
	€'000	**€'000**	**€'000**
Within one year	**1,045**	558	520
After one year but not more than five years	**4,178**	2,231	2,079
More than five years	**112,591**	60,676	57,057
	117,814	63,465	59,656
Less amounts representing finance charges	**(106,956)**	(57,667)	(54,253)
Present value of minimum lease payments	**10,858**	5,798	5,403

The present value of the discounted net minimum lease payments is as follows:

	2010	2009	2008
	€'000	**€'000**	**€'000**
Within one year	**—**	—	—
After one year but not more than five years	**1**	1	—
More than five years	**10,857**	5,797	5,403
	10,858	5,798	5,403

Following details regarding the finance lease agreements:

(a) In September 2000, Grandis Netherlands Holding B.V. ("Grandis"), a jointly controlled company, acquired a land leasehold interest expiring in 2095, of Sherlock Holmes hotel, London, for a sum of £10.0 million (€13.6 million plus an initial annual rent of £400,000 (€545,000) (subject to "open market value" rent review every five years).

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

(b) In May 2000, Riverbank Hotel Holding B.V., a jointly controlled company, acquired a land leasehold interest expiring in 2125, of Riverbank hotel, situated on Albert Embankment, London, for a sum of £12.0 million (€16.3 million) plus an initial annual rent of £500,000 (€681,000), subject to rent review every five years.

(ii) The Group operates hotels under various lease agreements in which the building, fixtures, furniture and equipment are leased. These leases have an average life of between 10 to 20 years, with renewal options. The lease payments are the higher between a minimum agreed amount and a percentage of the hotel turnover. The rental expenses presented in the income statements mainly consist of minimum lease payments.

Future minimum rentals payable under cancellable operating leases are as follows:

	2010	2009	2008
	€'000	**€'000**	**€'000**
Within one year	**9,197**	9,900	9,254
After one year but not more than five years	**36,787**	32,974	37,019
More than five years	**111,209**	100,180	112,623
	157,193	143,054	158,896

3. Construction contract commitment:

In March 2007, Marlbray entered into a construction contract with WW Gear Construction Limited ("Gear"). The contract work comprises the design and construction on a "turnkey" basis

NOTE 17 PLEDGES, CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

of a hotel complex of Westminster Bridge hotel 1,019 units (see Note 11). As at 31 December 2010, the total construction costs are approximately £199.5 million (€209.6 million) (2009: £186.0 million (€209.6 million). The balance of the construction cost commitment as at 31 December 2010 is £14.4 million (€16.7 million).

Gear is a company under the control of the principal shareholder of the Company (in whose shares the Chairman of the Board of Directors is interested) (see Note 29).

4. Guarantees:

(a) In June 2005, Euro Sea (a wholly-owned subsidiary of the Company) acquired a 33.33 per cent. interest in Marlbray. In February 2008, Euro Sea acquired the remaining 67 per cent. of the shares of Marlbray.

On completion of each sale of the units, Marlbray entered into income swap agreements with almost all of the unit holders. The income swap agreements includes an obligation on the unit holder to assign the right to receive the net income derived from the unit to Marlbray and an undertaking by Marlbray to pay unit holders a rent guarantee equal to 5 or 6 per cent. (with the exclusion of 2 units in respect of which the guaranteed rate is less than 5 per cent. per annum) p.a. yield, as the case may be, on the purchase price for the first five years following the date of the sale, commencing on the second month following the date of completion of the purchase.

As part of the February 2008 acquisition, the Company has agreed to guarantee the obligations of Marlbray under the income swap agreements. This liability was taken into account in establishing the fair value of the inventory on acquisition date.

(b) The Company has also guaranteed principal, interest and costs under Facility B (but not Facility A) under the loan facility of the Riverbank, Sherlock and Victoria London Hotels. The Company has also guaranteed the Borrowers' obligations in respect of the Close-Out Costs plus interest. Save as aforesaid, the facilities are without recourse to Park Plaza or any other member of its group apart from the Borrowers and their subsidiaries. (see Note 17a(1)).

(c) The Company has guaranteed all amounts due to Elbit in connection with the acquisition of the Riverbank, Sherlock and Victoria London Hotels (see Note 3(e)).

NOTE 18 BANK BORROWINGS

a. Composed as follows:

Current:

		As at 31 December		
	Average interest rate*	**2010**	**2009**	**2008**
		€'000	**€'000**	**€'000**
Bank loan in EUR	LIBOR +2.25%	**7,000**	7,000	7,000
Bank loan in EUR(2)	EURIBOR +1.65%	**20,159**	—	—
Bank loan in GBP(1)	LIBOR +2.15%	**108,407**	249,014	163,022
Bank loan in GBP(1)	LIBOR +3.00%	**—**	19,243	—
Current maturities of long-term bank loans		**3,728**	2,610	43,697
		139,294	277,867	213,719

(1) For the maturity of the loan see Note 17a(5) and Note 32(2).

(2) See also Notes 17a(3) and 32(1).

* As at 31 December 2010.

NOTE 18 BANK BORROWINGS (Continued)

Non-current:

	Average interest rate*	As at 31 December 2010	2009	2008
		€'000	€'000	€'000
Loans in EUR	5.12%–5.42%	**55,538**	62,375	62,956
Loans in GBP(1)	4.90%–7.72%	**209,760**	112,100	104,806
		265,298	174,475	167,762
Less — current maturities		**(3,728)**	(2,610)	(43,697)
		261,570	171,865	124,065

(1) See Note 17a(1).

* For details of interest rate swap (see Note 31(h)).

b. The loans are payable in future years, as follows:

	As at 31 December 2010	2009	2008
	€'000	€'000	€'000
1. Loan in EUR:			
First year — current maturities	**860**	855	42,061
Second year	**1,075**	1,070	210
Third year	**1,075**	1,495	210
Fourth year	**807**	21,130	420
Fifth year	**—**	—	20,055
Thereafter	**51,721**	37,825	—
	55,538	62,375	62,956
2. Loan in GBP:			
First year — current maturities	**2,868**	1,755	1,636
Second year	**2,702**	1,755	1,636
Third year	**7,302**	1,755	1,636
Fourth year	**4,434**	106,835	1,636
Fifth year	**173,977**	—	98,262
Thereafter	**18,477**	—	—
	209,760	112,100	104,806

For securities and pledges, see Note 17.

NOTE 19 OTHER LIABILITIES

	As at 31 December 2010	2009	2008
	€'000	€'000	€'000
Derivative financial instruments (see Note 31h)	**12,950**	8,251	4,628
Lease liability	**10,858**	5,798	5,403
Loans from jointly controlled entities (see Note 29)	**18,287**	16,720	15,555
Other loans from third parties	**14,876**	—	—
Loans from partners in jointly controlled entities	**8,133**	19,819	16,539
Other	**195**	423	442
	65,299	51,011	42,567

NOTE 20 OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Employees	**1,434**	1,221	926
VAT and taxes[(2)]	**4,215**	1,805	2,123
Accrued interest	**1,314**	1,247	1,164
Accrued expenses	**12,819**	4,834	5,126
Other loans from third parties	**5,349**	—	—
Accrued rent	**3,663**	2,394	2,415
Derivative financial instruments (see Note 31h)	**6,062**	—	378
Related parties[(1)]	**2,563**	1,627	1,359
	37,419	13,128	13,491

(1) The amount owed to related parties bears no interest and has no repayment date.

(2) Includes corporate income taxes in 2010 of €292,000 (2009: €463,000).

NOTE 21 REVENUES

	As at 31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Rooms	**93,357**	49,923	59,629
Food and beverage	**36,018**	19,387	22,196
Minor operating	**2,504**	1,637	2,267
Management fee (see Note 17c(1))	**4,602**	5,518	5,330
Franchise fee (see Note 17c(1))	**2,297**	2,858	2,847
Marketing	**813**	745	885
Other	**238**	258	231
	139,829	80,326	93,385

NOTE 22 OPERATING EXPENSES

	As at 31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Salaries and related expenses	**42,369**	24,149	26,451
IT expenses	**1,188**	847	742
Utilities	**4,800**	2,910	2,940
Supplies	**2,080**	985	1,013
Laundry, linen and cleaning	**2,780**	1,771	1,918
Administration costs	**4,281**	1,946	2,691
Communication, travel and transport	**1,368**	1,116	1,218
Maintenance	**2,279**	1,729	1,769
Marketing expenses	**1,950**	1,575	1,764
Food and beverage	**7,791**	3,924	4,318
Franchise fees, reservation and commissions	**9,970**	6,449	6,634
Leases	**954**	242	—
Insurance	**5,752**	2,300	2,429
Other expenses	**5,820**	4,239	3,641
	93,382	54,182	57,528

NOTE 23 FINANCIAL EXPENSES

	As at 31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Interest and other finance expenses on bank loans	**27,510**	21,880	24,718
Interest and other finance expenses to jointly controlled entities (see Note 29(b))	**836**	734	758
Interest and other finance expenses to related parties	**826**	807	828
Interest on restricted deposits	**1,126**	3,126	2,772
Finance lease liability	**578**	558	619
Breakage of hedge financial instruments	**8,920**	—	—
Refinance expenses	**314**	—	—
Loss on sale of available-for-sale investments	**—**	246	—
Other	**44**	161	89
	40,154	27,512	29,784
Less — borrowing costs capitalised	**(11,281)**	(8,572)	(10,209)
	28,873	18,940	19,575

NOTE 24 FINANCIAL INCOME

	As at 31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Interest on restricted deposit	**76**	2,232	2,619
Profit on sale of available for sale investments	**346**	—	—
Interest on bank deposits	**321**	609	3,371
Interest from related parties (see Note 29(b))	**2,206**	956	665
Interest on VAT loans to unit holders	**252**	—	—
Adjustment to fair value on derivative financial instruments	**1,403**	—	—
Interest revenue penalty on late completion	**339**	—	—
Foreign exchange differences	**321**	583	6
Interest from forfeited deposits	**3,512**	—	—
Interest and other finance income from jointly controlled entities	**682**	678	695
Interest and other finance expenses from partners in jointly controlled entities	**939**	739	747
Other	**24**	—	—
	10,421	5,797	8,103

NOTE 25 OTHER INCOME AND EXPENSES

	As at 31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Negative goodwill upon acquisitions (see Note 3)	**9,997**	—	6,500
Pre opening expenses of Westminster Bridge hotel	**(2,637)**	—	—
Capital gain from obtaining control in a former jointly controlled entity (see Note 3)	**41,435**	—	—
Reclassification adjustment in respect of foreign currency translation reserve (see Note 3c)	**9,390**	—	—
Income from forfeited deposits	**2,166**	—	—
Other	**—**	—	7
	60,351	—	6,507

NOTE 26 INCOME TAXES

a. 1. Taxes on income (tax benefit) included in the income statements:

	As at 31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Current taxes	**(265)**	395	389
Deferred taxes	**(1,156)**	(106)	(362)
	(1,421)	289	27

2. Taxes have not been recognised on components of equity as they are not expected to be taxable.

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*	Property, plant and equipment and intangible assets	Apart-hotel units and property, plant and equipment	Other	Total
	€'000	€'000	€'000	€'000	€'000
Balance as at 1 January 2008	3,884	(4,611)	—	(520)	(1,247)
Acquisition of Marlbray	—	—	(10,562)	—	(10,562)
Amounts charged to income statement	(542)	503	—	401	362
Adjustments for exchange rate differences	—	—	2,291	—	2,291
Balance as at 31 December 2008	3,342	(4,108)	(8,271)	(119)	(9,156)
Amounts charged to income statement	81	(94)		119	106
Adjustments for exchange rate differences	—	—	(605)	—	(605)
Balance as at 31 December 2009	3,423	(4,202)	(8,876)	—	(9,655)
Amounts charged to income statement	(654)	1,481	329	—	1,156
Adjustments for exchange rate differences	—	—	(271)	—	(271)
Balance as at 31 December 2010	2,769	(2,721)	(8,818)	—	(8,770)

NOTE 26 INCOME TAXES (Continued)

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

	As at 31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Profit (loss) before income taxes	**60,482**	(7,160)	7,888
Expected tax at the tax rate of The Netherlands 25.5%[1]	**15,423**	(1,826)	2,011
Adjustments in respect of:			
Income at 0% tax rate	**(4,721)**	(5,511)	(4,938)
Non-deductible expenses	**1,599**	6,276	5,539
Settlement with carried forward losses	**—**	(182)	(383)
Reduce in UK tax rate	**(329)**	—	—
Non-taxable income	**(15,098)**	—	(3,963)
Tax losses for which no deferred tax was recorded	**4,964**	1,350	1,761
Timing differences for which no deferred taxed were recorded	**(2,847)**	—	—
Taxes previous years	**(338)**	—	—
Other	**(74)**	182	6
Income tax expense reported in the income statement	**(1,421)**	289	27

(1) The tax rate that was used is the tax rate of The Netherlands, since the majority of the tax exposure is in this tax jurisdiction.

d. Tax laws applicable to the Group companies:

1. The Company is subject to taxation under the law of Guernsey. The Company is therefore now taxed at the standard rate of 0 per cent.

2. Foreign subsidiaries are subject to income taxes in their country of domicile in respect of their income, as follows:

   a. Taxation in The Netherlands: corporate income tax rate is 25.5 per cent.

   b. Taxation in the U.K.: corporate income tax rate for domiciled companies is 28 per cent. and for non-domiciled 22 per cent. On 9 December 2010 the Government in the United Kingdom has decided to reduce the tax rate of 2011 to 27 per cent. effective from 1 April 2011. After balance sheet date the tax rate of 2011 was reduced to 26 per cent. The impact of the reduction of the tax rate to 26 per cent. would create an additional tax income of £0.3 million (€0.3 million).

   c. Taxation in Germany: corporate income tax rate and business rates is 30.2 per cent.

   d. Taxation in Hungary: corporate income tax rate is 18.0 per cent.

   e. Losses carried forward for tax purposes:

   The Company and its subsidiaries have carry forward losses for tax purposes estimated at approximately €165.4 million (2009: €111.2 million, 2008: €94.4 million). The Group did not establish deferred tax assets in respect of losses amounting to €154.5 million (2009: €97.9 million, 2008: €81.1 million) of which non-United Kingdom tax losses amounting to €86.6 million may be utilised for a period up to eight years. The remaining United Kingdom tax losses may be carried forward indefinitely.

NOTE 27 EARNINGS PER SHARE

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

	As at 31 December		
	2010	2009	2008
	€'000	€'000	€'000
Profit (loss)	**61,903**	(7,449)	7,861
Weighted average number of Ordinary shares outstanding	**40,815**	41,460	41,558

Potentially dilutive instruments (share options — see Note 16) have not been included in the calculation of diluted earnings per share because they are anti-dilutive for all periods presented.

NOTE 28 SEGMENTS

For management purposes, the Group's activities are divided into Owned Hotel Operations and Management Activities (for further details see Note 17c(1). Owned Hotel Operations are further divided into three reportable segments: The Netherlands, Germany and Hungary, and the United Kingdom. The operating results of each of the aforementioned segments are monitored separately for the purpose of resource allocations and performance assessment. Segment performance is evaluated based on EBITDA, which is measured on the same basis as for financial reporting purposes in the statement of income.

	As at 31 December 2010					
	The Netherlands	Germany and Hungary	United Kingdom	Management	Holding companies and adjustments(2)	Consolidated
	€'000	€'000	€'000	€'000	€'000	€'000
REVENUE						
Third party	**22,847**	**27,700**	**81,179**	**8,103**	**—**	**139,829**
Inter-segment	**—**	**—**	**389**	**12,618**	**(13,007)**	**—**
TOTAL REVENUE	**22,847**	**27,700**	**81,568**	**20,721**	**(13,007)**	**139,829**
SEGMENT EBITDA	**7,607**	**(286)**	**24,512**	**10,438**	**(4.638)**	**37,633**
Depreciation and amortisation						**(12,409)**
Financial expenses						**(28,873)**
Financial income						**10,421**
Interest expenses on advance payments from unit holders						**(4,279)**
Other income, net						**60,351**
Share in loss of associate						**(2,362)**
Loss before taxes						**60,482**

	As at 31 December 2010				
	The Netherlands	Germany and Hungary	United Kingdom	Adjustments	Consolidated
	€'000	€'000	€'000	€'000	€'000
Geographical information					
Non-current assets(1)	**75,166**	**7,620**	**682,253**	**43,076**	**808,385**

(1) Non-current assets for this purpose consist of property, plant and equipment, prepaid leasehold payments and intangible assets and apart-hotel units.

(2) Consist of inter-company eliminations. For further details, see Note 17c(1) and Note 29.

NOTE 28 SEGMENTS (Continued)

	As at 31 December 2009					
	The Netherlands	Germany and Hungary	United Kingdom	Management	Holding companies and adjustments(2)	Consolidated
	€'000	€'000	€'000	€'000	€'000	€'000
REVENUE						
Third party	19,779	23,456	27,518	9,573	—	80,326
Inter-segment	—	—	1,504	6,869	(8,373)	—
TOTAL REVENUE	19,779	23,456	29,022	16,442	(8,373)	80,326
SEGMENT EBITDA	6,474	(3,725)	11,369	5,928	(3,802)	16,244
Depreciation and amortisation						(9,066)
Financial expenses						(18,940)
Financial income						5,797
Share in loss of associate						(1,195)
Loss before taxes						(7,160)

	As at 31 December 2009				
	The Netherlands	Germany and Hungary	United Kingdom	Adjustments	Consolidated
	€'000	€'000	€'000	€'000	€'000
Geographical information					
Non-current assets(1)	59,775	7,428	121,173	45,385	233,761

(1) Non-current assets for this purpose consist of property, plant and equipment, prepaid leasehold payments and intangible assets.

(2) Consist of inter-company eliminations. For further details, see Note 17c(1) and Note 29.

	As at 31 December 2008					
	The Netherlands	Germany and Hungary	United Kingdom	Management	Holding companies and adjustments(2)	Consolidated
	€'000	€'000	€'000	€'000	€'000	€'000
REVENUE						
Third party	22,950	27,930	33,175	9,330	—	93,385
Inter segments	—	—	—	9,363	(9,363)	—
TOTAL REVENUE	22,950	27,930	33,175	18,693	(9,363)	93,385
SEGMENT EBITDA	8,373	(1,408)	11,131	9,546	(2,209)	25,433
Depreciation and amortisation						(9,259)
Impairment loss						(2,284)
Financial expenses						(19,575)
Financial income						8,103
Share in loss of associate						(1,037)
Other income						6,507
Income before taxes						7,888

NOTE 28 SEGMENTS (Continued)

	As at 31 December 2008				
	The Netherlands	Germany and Hungary	United Kingdom	Adjustments	Consolidated
	€'000	€'000	€'000	€'000	€'000
Geographical information					
Non-current assets(1)	62,937	7,392	113,856	47,447	231,632

(1) Non-current assets for this purpose consist of property, plant and equipment, prepaid leasehold payments and intangible assets.

(2) Consist of inter-company eliminations. For further details, see Note 17c(1) and Note 29.

NOTE 29 RELATED PARTIES

a. Balances with related parties*:

	31 December		
	2010	2009	2008
	€'000	€'000	€'000
Loans to jointly controlled entities(3)	**18,795**	17,338	14,388
Loan to associate — WH/DMREF Bora(1)	**25,695**	23,715	22,760
Short-term receivables	**1,252**	1,184	870
Long-term receivable	**—**	—	302
Trade receivables — Leeds hotel and Nottingham hotel(2)	**—**	3,328	2,645
Loans from jointly controlled entities(4)	**18,287**	16,720	15,555
Trade receivables — Arenaturist group(1)	**3,985**	2,452	943
Trade receivables — jointly controlled entities	**—**	4,367	4,316
Trade payables — WW Gear Construction Limited (see Note 17c3)	**14,002**	—	4,144
Short-term payables — WW Gear Construction Limited	**2,208**	1,627	918
Short-term payables — other	**355**	—	441

b. Transactions with related parties*:

	As at 31 December		
	2010	2009	2008
	€'000	€'000	€'000
Management fees income — Arenaturist(1)	**1,225**	1,113	750
Reimbursement of expenses — Arenaturist(1)	**347**	396	125
Expenses related to jointly controlled entities			
—Conference	**454**	459	—
—Salaries	**164**	164	—
—Legal	**427**	427	—
Fee income — Leeds hotel and Nottingham hotel(2)			
—Management fee	**173**	329	225
—Franchise fees	**58**	99	61
—Marketing fees	**38**	66	41
—Reservation fees	**115**	148	112
—Reimbursement and other fees	**41**	84	73
Interest from associate — (WH/DMREF Bora)(1)	**2,206**	956	665
Interest and other financial expenses to jointly controlled entities	**836**	734	758
Interest income from jointly controlled entities	**682**	678	695
Construction costs incurred and capitalised to inventories	**31,206**	77,230	70,236

* Balances and transactions are with shareholders and companies controlled by shareholders, unless otherwise stated.

(1) The Group holds 20 per cent. of the equity of WH/DMREF Bora (see Note 8).

NOTE 29 RELATED PARTIES (Continued)

(2) Prior to 2 August 2010, Leeds hotel and Nottingham hotel were each wholly-owned by the principal shareholder of the Company. On 2 August 2010, the Company purchased Park Plaza Leeds and Park Plaza Nottingham (see Note 3).

(3) Includes loans to jointly controlled entities in the amount of €11.0 million (2009: €10.9 million, 2008; €9.4 million) bearing fixed interest of 6.125 per cent. per annum, a loan of €5.8 million (2009: €5.3 million, 2008: €4.5 million) bearing an interest of LIBOR plus 2 per cent. per annum and a loan of €2.0 million (2009: €1.1 million, 2008: €0.5 million) bearing no interest.

(4) Includes loans to jointly controlled entities in the amount of €18.3 million (2009: €16.7 million, 2008: €15.6 million) bearing fixed interest of 4 per cent. per annum.

c. Compensation to key management personnel (Executive and Non-Executive Board members) for the year ended in 31 December 2010:

	Position	Base salary	Pension	Other benefits	Total
		€'000	€'000	€'000	€'000
Boris Ivesha	President & CEO	**395**	**117**	**74**	**586**
Chen Moravsky	CFO	**275**	**33**	**72**	**380**
Eli Papouchado	Non-Executive Chairman of the Board	**117**	**—**	**—**	**117**
Kevin McAuliffe	Non-Executive Director	**46**	**—**	**—**	**46**
Nigel Jones	Non-Executive Director	**41**	**—**	**—**	**41**
Elisha Flax	Non-Executive Director	**47**	**—**	**—**	**47**
		921	**150**	**146**	**1,217**

Director's interests in employee share incentive plan

As at 31 December 2010 the Chief Financial Officer holds share options to purchase Ordinary shares in the amount of 95,000. The Options are fully exercisable with an exercise price of £1.00 (€1.12). The options will expire in 2017. Non-share options have been granted to Non-Executive members of the Board.

NOTE 30 JOINTLY CONTROLLED ENTITIES

The Group has an interest in jointly controlled entities (Appendix B) which are engaged in the development, management and operation of hotels. For further information regarding the terms of loans with jointly controlled entities see Note 29. The share of the assets, liabilities income and expenses of the jointly controlled entities, which are included in the Consolidated financial statements are as follows:

	As at 31 December		
	2010	2009	2008
	€'000	€'000	€'000
Non-current assets	**91,500**	172,848	166,241
Current assets	**3,380**	12,877	9,196
	94,880	185,725	175,437
Non-current liabilities	**61,506**	182,157	143,765
Current liabilities	**12,003**	23,756	54,486
	73,509	205,913	198,251
	21,371	(20,188)	(22,814)

NOTE 30 JOINTLY CONTROLLED ENTITIES (Continued)

	As at 31 December		
	2010	**2009**	**2008**
	€'000	**€'000**	**€'000**
Revenues	**45,032**	41,297	47,509
Operating expenses	**(29,378)**	(25,820)	(30,732)
EBITDAR	**15,654**	15,477	16,777
Rental expenses	**(1,008)**	(503)	(477)
EBITDA	**14,646**	14,974	16,300
Depreciation and amortisation	**(4,032)**	(4,945)	(6,779)
EBIT	**10,614**	10,029	9,521
Financial expenses, net	**(18,434)**	(11,464)	(18,448)
Loss before income taxes	**(7,820)**	(1,435)	(8,927)
Income tax benefit (expense)	**629**	(349)	291
Loss for the year	**(7,191)**	(1,784)	(9,218)

NOTE 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank borrowings, cash and cash equivalents, restricted deposits and investment in shares and bonds. The main purpose of these financial instruments is to raise finance for 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.

The Group also enters into derivative transactions, including principally interest rate swap contracts. The purpose is to manage the interest rate risk arising from the Group's operations and its sources of finance. It is, and has been throughout the years under review, the Group's policy that no trading in financial instruments shall be undertaken.

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

a. Foreign currency risk:

The Group is exposed to minimal foreign currency risk, due to transactions in foreign currency, as most of the transactions of each of the entities in the Group are denominated in the functional currency of the relevant entity.

b. 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 has two variable interest rate debts relating to a short-term loan for the renovation of a hotel building and a GBP short-term loan for the construction of Park Plaza Westminster Bridge London. The interest expense on these loans is capitalised during the construction period. In April 2010 the construction of Park Plaza Westminster Bridge London was partially completed and the hotel started to operate. The interest on the GBP short term loan was recorded in the income statement. Based on this sensitivity analysis calculation, the management expects that with an increase/decrease of the three-month market (LIBOR) interest rate by 50 bps the results of the Group would be changed by €290,000.

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

NOTE 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The fair value of the swaps of the Group as at 31 December 2010 amounts to a liability of €15.0 million (2009: liability of €8.2 million, 2008: liability of €0.5 million). The movements in the value have been accounted for in equity and profit and loss respectively. The Group performed a sensitivity analysis for the effect of market interest rate changes on the fair value of the swaps which was calculated by an external valuator. Based on this sensitivity analysis calculation, the management expects that with an increase/decrease of the three-month market interest rate by 50 bps, the fair value of the swaps, and the hedge reserve in equity would increase/decrease by €0.2 million (2009: €1.8 million; 2008: €2.5 million) and the results would increase/decrease by €2.2 million (2009 and 2008: nil).

The Group uses short-term deposits (weekly and monthly) for cash balances held in banks.

Restricted deposits that were received from unit holders (see Note 17b) were held in bank accounts in the United Kingdom bearing interest at a average annual rate of 0.2 per cent. (2009: 4.6 per cent.; 2008: 6 per cent.).

As at 31 December 2010, the Group has additional deposits in the amount of €4.4 million. The interest income is subject to changes in the interest rates. In 2010, the average received interest rate was 0.2 per cent.-0.3 per cent. (2009: 0.5 per cent.; 2008: 4.6 per cent.). If the interest rate increase/decrease is an average of 50bps, the profit of the Group would not change materially due to low interest given on deposits.

c. Credit risk:

The Group trades only with recognised, credit worthy third parties. It has policies in place to ensure that sales of products 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. Impairment of trade receivables is recorded when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The maximum credit exposure equals the carrying amount of the trade receivables and other receivables since the amount of all trade and other receivables have been written down to their recoverable amount. 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, investment in securities and certain derivative instruments, 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, as at 31 December 2010, has a balance of €4.0 million (2009: €6.4 million, 2008: €3.6 million) from Associates. The Group has agreed that most of the outstanding amount will be settled in the course of 2011.

d. Market risk:

The Group as at 31 December 2010 has an available-for-sale investment in securities, in the amount of €1.7 million (2009: €14.5 million, 2008: €2.2 million). The securities are presented at their quoted market price and changes in market price are recorded in equity. If the market prices of the securities increase/decrease by an average of 1 per cent., the equity of the Group would increase/decrease by €17,000 (2009: €145,000, 2008: €22,000).

e. Liquidity risk:

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

NOTE 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2010, 2009 and 2008 based on contractual undiscounted payments.

	As at 31 December 2010					
	Less than 3 months	**3 to 12 months**	**1 to 2 years**	**3 to 5 years**	**> 5 years**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Interest bearing loans and borrowings(1)(2)(3)	**4,401**	**130,907**	**62,974**	**208,025**	**74,628**	**480,935**
Deposits received from unit holders	**—**	**(21,999)**	**—**	**—**	**—**	**(21,999)**
Deposits hold in banks	**—**	**18,234**	**—**	**—**	**—**	**18,234**
Derivative financial instruments	**1,515**	**4,546**	**10,669**	**—**	**—**	**16,730**
Loans to jointly controlled entities and partners in jointly controlled entities	**—**	**—**	**12,480**	**—**	**22,676**	**35,156**
Loans from jointly controlled entities and partners in jointly controlled entities	**—**	**—**	**(12,080)**	**—**	**(23,306)**	**(35,386)**
Other financial liabilities	**—**	**—**	**—**	**123**	**72**	**195**
Loans to Elbit	**1,637**	**4,787**	**13,416**	**3,047**	**1,016**	**23,903**
Lease liability(4)	**261**	**783**	**2,089**	**3,133**	**111,546**	**117,812**
Trade payables	**6,250**	**18,748**	**—**	**—**	**—**	**24,998**
Other liabilities	**9,047**	**12,830**	**—**	**—**	**—**	**21,877**
	23,111	**168,836**	**89,548**	**214,329**	**186,632**	**682,455**

	As at 31 December 2009					
	Less than 3 months	**3 to 12 months**	**1 to 2 years**	**3 to 5 years**	**> 5 years**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Interest bearing loans and borrowings(1)(2)(3)	4,232	287,950	30,756	177,572	—	500,510
Deposits received from unit holders	825	64,582	—	—	—	65,407
Deposits hold in banks	(110)	(64,689)	—	—	—	(64,799)
Other restricted deposits	—	(1,937)	—	—	—	(1,937)
Loans to jointly controlled entities and partners in jointly controlled entities	—	—	—	5,709	40,651	46,360
Loans from jointly controlled entities and partners in jointly controlled entities	—	—	—	(5,767)	(37,569)	(43,336)
Other financial liabilities	—	—	—	117	306	423
Lease liability(4)	139	418	1,115	1,673	60,118	63,463
Trade payables	4,853	—	—	—	—	4,853
Other liabilities	4,360	6,963	—	—	—	11,323
	14,299	293,287	31,871	179,304	63,506	582,267

NOTE 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

	As at 31 December 2008					
	Less than 3 months	3 to 12 months	1 to 2 years	3 to 5 years	> 5 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Interest bearing loans and borrowings(1)(2)(3)	3,601	58,838	179,545	138,522	—	380,506
Deposits received from unit holders	720	2,160	54,300	—	—	57,180
Deposits hold in banks	(720)	(2,160)	(53,500)	—	—	(56,380)
Loans to jointly controlled entities and partners in jointly controlled entities	—	—	11,531	4,935	26,013	42,479
Loans from jointly controlled entities and partners in jointly controlled entities	—	—	(9,358)	(4,941)	(25,343)	(39,642)
Other financial liabilities	—	—	—	149	293	442
Lease liability(4)	130	390	1,039	1,559	56,537	59,655
Trade payables	9,594	—	—	—	—	9,594
Other liabilities	6,210	4,778	—	—	—	10,988
	19,535	64,006	183,557	140,224	57,500	464,832

(1) See Note 1(c), 17(a)(2) and 17(a)(4) for further information.

(2) The Company has an outstanding loan in the amount of €108.4 million (2009: €268.0 million, 2008; €163.0 million)), which was due to be repaid in May 2011) (see Note 32(2)).

(3) For further details in respect of a Guarantee provided to the partner in a jointly controlled entity, see Note 17a(2).

(4) Lease liability includes two leases with upward rent reviews based on future market rates in one lease and changes in the CPI in the other lease and, thus, future payments have been estimated using current market rentals and current United Kingdom based CPIs, respectively.

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 debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 60 per cent. and 70 per cent. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity less the hedging reserve. In 2009 the gearing ratio was above 70 per cent., due to the construction of Park Plaza Westminster Bridge project and is expected to reflect temporary deviation.

	2010	2009	2008
	€'000	€'000	€'000
Interest bearing loans and borrowings	**400,864**	449,732	337,784
Less — cash and cash equivalents	**(25,637)**	(34,418)	(33,065)
Less — other liquid assets	**(5,298)**	(11,394)	(22,363)
Net debt	**369,929**	403,920	282,356
Equity	**203,218**	139,735	146,423
Hedging reserve	**1,087**	9,096	6,381
Total capital	**204,305**	148,831	152,804
Capital and net debt	**574,234**	552,751	435,160
Gearing ratio	**64.4%**	73.1%	64.9%

	Carrying amount			Fair value		
	31 December			31 December		
	2010	2009	2008	2010	2009	2008
	€'000	€'000	€'000	€'000	€'000	€'000
Financial assets						
Other non-current financial assets	**27,389**	35,306	31,510	**27,254**	39,075	30,763
Restricted deposits	**21,999**	66,516	52,780	**21,999**	66,516	52,780
Other current financial assets	**1,671**	14,536	23,852	**1,671**	14,536	23,852
Trade receivables	**17,176**	14,385	11,520	**17,176**	14,385	11,520
Other receivables	**8,051**	1,820	994	**8,051**	1,820	994
Cash and cash equivalents	**25,637**	34,418	33,065	**25,637**	34,418	33,065
Total assets	**101,923**	166,981	153,721	**101,788**	170,750	152,974

	Carrying amount			Fair value		
	31 December			31 December		
	2010	2009	2008	2010	2009	2008
	€'000	€'000	€'000	€'000	€'000	€'000
Financial liabilities						
Floating rate borrowings	**326,891**	407,530	294,909	**326,891**	407,530	294,909
Fixed rate borrowings	**73,974**	42,202	42,875	**76,603**	41,867	42,876
Derivative financial instruments	**19,012**	8,251	5,006	**19,012**	8,251	5,006
Other financial liabilities	**46,840**	36,962	32,536	**46,571**	40,101	31,522
Lease liability	**10,858**	5,798	5,403	**10,858**	5,798	5,403
Trade payables	**24,998**	4,853	9,594	**24,998**	4,853	9,594
Deposits received from unit holders	**18,234**	63,757	53,580	**18,234**	63,757	53,580
Other payables and accruals	**21,676**	11,323	10,988	**21,676**	11,323	10,988
Total	**542,483**	580,676	454,891	**544,842**	583,480	453,878

The fair value 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:

- 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.
- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables.
- The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.
- 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.

As at 31 December 2010, the mark-to-market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

NOTE 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

2. Fair value hierarchy:

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

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

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

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

As at 31 December 2010, the Group held the following financial instruments measured at fair value:

Assets:

	31 December 2010	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'000
Available-for-sale financial assets:				
Equity shares	**1,671**	1,671	—	—

Liabilities:

	31 December 2010	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'000
Financial liabilities:				
Interest rate swaps	**19,012**	—	19,012	—

During the year as at 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

Assets:

	31 December 2009	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'000
Available-for-sale financial assets:	**3,142**	3,142	—	—
Equity shares	**11,394**	1,194	—	—

Liabilities:

	31 December 2010	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'000
Financial liabilities:				
Interest rate swaps	**8,251**	—	8,251	—

During the year as at 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

h. Derivative financial instruments:

The majority of the Group's borrowings are at variable interest rates based on LIBOR. To limit its exposure to changes in the rates of the LIBOR and EURIBOR on its cash flows and interest expense the Group has entered into various interest rate swaps, as described below:

1. In 2006, three jointly controlled companies of the Company entered into an interest rate swap hedge transaction, according to which the companies swapped the variable interest rate of three months LIBOR plus 3 per cent. on a loan in the amount of £185.0 million (attributed to the Group £99.0 million) received from Goldman Sachs International Bank with fixed interest rate of 7.72 per cent. for the period until 2011. On 26 November 2010 the Group had refinanced the loan with Aareal (see Note 17a(1)). A separate arrangement with Aareal has been made to meet the costs of

terminating the existing interest rate swap (the Close-Out Costs) amounting to £14.4 million which, as part of the overall financing, were settled by Aareal. The Borrowers have undertaken to pay to Aareal the value of the Close-Out Costs plus interest over the next three years by way of additional margin (the Close-Out Margin) on the fixed rate of interest under the new interest rate swap with Aareal referred to below.

Contract with nominal values of £130.6 million (€151.6 million) has fixed interest quarterly payments at a rate of 5.295 per cent. per annum (including Close out costs margin) for periods up until November 2013 and for the period November 2013 until November 2015 at a rate of 3.275 per cent.

As at 31 December 2010, the fair value of the swap is estimated at a liability of £12.0 million (€13.9 million) (2009: liability of £11.6 million (€13.5 million) attributable to the Group liability of £6.3 million (€7.1 million), 2008: liability of £8.1 million (€8.5 million) attributable to the Group liability of £4.3 million (€4.5 million)). The interest swap of the expected future interest was assessed to be not effective. The change in fair value of the interest rate swap of £1.7 million (€2.0 million) (attributable to the Group £0.9 million (€1.0 million) has been recorded in the profit and loss. The swap of the expected future interest of 2009 and 2008 was assessed to be very effective and the change of £4.3 million (€5.0 million) (attributable to the Group £2.3 million (€2.7 million) and £0.8 million (€0.9million) (attributable to the Group £0.4million (€0.5 million), respectively, had been recorded in the other comprehensive income. For further information see Note 17a(1).

2. In 2007, PHRE, PHH and PHM entered into an interest rate swap according to which PHRE, PHH and PHM swapped the variable interest rate of 3 month EURIBOR on a loan in the amount of €15.75 million received from NIBC with fixed interest payments at rates varying from 2.84 per cent. to 3.91 per cent. for the period until 2012.

   As at 1 January 2008, the fair value of the swap, attributed to the Group, was estimated at an asset of €0.5 million.

   In 2008, the subsidiary refinanced the abovementioned loan from NIBC entered into an interest rate swap according to which PHRE, PHH and PHM swapped the variable interest rate of three months EURIBOR on a loan in the amount of €21.0 million received from Aareal Bank, bearing fixed quarterly interest payments, at the rate of 3.77 per cent. per annum, for the period until September 2013. As at 31 December 2010, the fair value of the swap is estimated at a liability of €1.1 million (2009: liability of €1.1 million, 2008: liability of €0.4 million). The swap of the expected future interest of was assessed to be very effective and the change recorded in the other comprehensive income. The amount recorded in the other comprehensive income was immaterial for 2010, 2009 and 2008.

3. In 2004 Laguna and Katmandu of which were purchased by the Group in August 2010, entered into an interest rate swap according to which they swapped the variable interest rate, according to which:

   Laguna swapped the variable interest rate of three month LIBOR on a loan in the amount of £15.0 million (€17.4 million) received from The Royal Bank of Scotland plc., bearing fixed quarterly interest payments, at the rate of 5.13 per cent. for the period until January 2019. As at 31 December 2010, the fair value of the swap is estimated at a liability of £2.2 million (€2.6 million). The swap of the expected future interest of was assessed to be not effective since the Group do not obtain the proper documentation and the amount of £0.3 million (€0.3 million) was recorded in the profit and loss as interest income.

   Katmandu swapped the variable interest rate of three month LIBOR on a loan in the amount of £6.0 million (€6.9 million) received from The Royal Bank of Scotland plc., bearing fixed quarterly interest payments, at the rate of 5.54 per cent. for the period until October 2010. As at 31 May 2027, the fair value of the swap is estimated at a liability of £1.3 million (€1.5 million). The swap of the expected future interest of was assessed to be not effective since the Group do not obtain the proper documentation and the amount of £0.1 million (€0.1 million) was recorded in the profit and loss as interest income.

4. In 2004, two jointly controlled entities and a fully owned subsidiary of the Company entered into an interest swap agreement with Merrill Lynch. According to the agreement, the subsidiary swapped the floating interest rate of three months LIBOR on a loan in the amount of €43.5 million, received from Merrill Lynch, with a fixed interest rate of 3.41 per cent. for a period of 6 years effective from October

2003 and maturing in September 2009. The loan was repaid fully in September 2009. For further details, see Note 17a(2).

The swap is presented at its fair value, as prescribed for such transactions in IAS 39, and changes in the fair value are reflected in equity. As at 31 December 2008, the fair value, attributed to the Group, amounted to a liability of €0.4 million. As at 31 December 2009, the swap was fully repaid.

NOTE 32 POST BALANCE SHEET EVENTS

1. PHRE, PHH and PHM Facility Agreement (see Note 17 a(3) provides that the Borrowers must ensure that the aggregate amount of the outstanding Facilities do not exceed 70 per cent. of the value of the hotels as set out in the most recent valuation (LTV test). In addition, the Borrowers must ensure that, on each interest payment date, the Debt Service Cover Ratio ("DSCR" test) (the Net Operating Income of the hotels for each of the four preceding financial quarters relative to the principal, interest and other costs payable by the Borrowers for the next four financial quarters) is not less than 120 per cent. As at 31 December 2010 and at 31 March 2011 the PHRE, PHH and PHM failed the DSCR test and as at 31 March 2011 the aggregate amount of the outstanding Facility exceeded 70 per cent. of the hotel value. On 12 April 2011 the company reached an agreement with the lender to reduce the principal Facility amount by €0.9 Million in order to "cure" the position as at 31 December 2010 and at 31 March 2011 (DSCR test) and 31 March 2011 (LTV test). In addition certain requirements under the Facility Agreements were waived for a period of 12 months ending 30 June 2012.

2. On 1 June 2011, Marlbray signed an agreement to refinance the existing facility of Westminster Bridge Hotel London with Bank Hapoalim for a further seven years until 1 June 2018. As at 31 December 2010, the outstanding amount of the facility was £93.4 million (€108.4 million).

   The amended facility is split into two facilities (the "facilities") for an overall amount of £115.0 million (€133.5 million) with the existing indebtedness as at the date of the agreement of £93.9 million (€109.0 million) remaining in place and a new facility of £21.1 million (€24.5 million) being added to finance working capital, general corporate purposes and certain projects.

   The facilities are repayable commencing in September 2011 in quarterly instalments for an amount equal to 2 per cent. per annum of the drawn amount until September 2016, increased to 2.5 per cent. per annum of the drawn amount until the maturity date of the facilities. The remaining balance of the principal is repayable on the final maturity date.

   The facilities will bear an interest of 2.65 per cent. per annum over 3-month Sterling LIBOR (which will increase by 2 per cent. on any part of the facilities that causes the loan to value ratio (as set out below) to exceed 70 per cent.). In addition, Marlbray has undertaken among others to pay £125,000 per annum as an agency and security trustee fee. Subsequent to its entry into the facilities, Marlbray will enter into an interest rate swap to hedge the risk of any fluctuations in the interest rate.

   The agreement provides that Marlbray must ensure that the aggregate amount of the outstanding facilities does not exceed 75 per cent. of the value of the hotel as set out in the most recent valuation. In addition, Marlbray must ensure that, on each interest payment date, the Debt Service Cover Ratio (DSCR) (the Net Operating Income of the hotels for each of the four preceding financial quarters relative to the principal, interest and other costs payable by Marlbray for the next four financial quarters) is not less than 115 per cent. for the first year of the loan and thereafter is 130 per cent. and that the DSCR ratio is not less than the applicable percentages more five times during the life of the facilities.

   On 22 June 2011, Marlbray entered into an interest rate swap agreement pursuant to which Marlbray swapped the variable interest rate of 3-month Sterling LIBOR plus 2.65 per cent. on an amount of £58.0 million to a fixed interest rate of 5.29 per cent. until the maturity of the facility in June 2018.

3. On 30 May 2011 Victoria Monument B.V. entered into a deed of amendment to the credit agreement dated 14 December 2006 with Bank Hapoalim, as amended and restated from time to time, and under which the Final Maturity Date had been extended to 31 August 2011 (see note 17 4(a)).

APPENDIX A: SUBSIDIARIES AND INVESTMENTS INCLUDED IN THE GROUP

	Principal activity	Country of incorporation	Direct and indirect holdings
			%
Euro Sea Hotels N.V.[2]	Holding company	The Netherlands	100
The Mandarin Hotel B.V.[2]	Hotel operation	The Netherlands	100
Suf Holding B.V.[2]	Holding company	The Netherlands	100
Victory Enterprises I B.V.[2]	Holding company	The Netherlands	100
Victoria Monument B.V.[2]	Holding company	The Netherlands	50
V.H.R.I. B.V.[2]	Holding company	The Netherlands	50
V.H.R.M.S. B.V.[2]	Hotel operation	The Netherlands	50
Utrecht Victoria Hotel B.V.[2]	Hotel operation	The Netherlands	50
Victoria Hotel C.V.[2]	Hotel operation	The Netherlands	50
Riverbank Hotel Operator Limited[2]	Hotel operation	United Kingdom	100
Riverbank Hotel Holding B.V.[2]	Holding company	The Netherlands	100
Victoria London Hotel Holding B.V.[2]	Holding company	The Netherlands	100
Victoria Park Plaza Operator Limited[2]	Hotel operation	United Kingdom	100
Victoria Pub Holding B.V.[2]	Holding company	The Netherlands	100
Sherlock Holmes Park Plaza Limited[2]	Hotel operation	United Kingdom	100
Grandis Netherlands Holding B.V.[2]	Holding company	The Netherlands	100
Marlbray Limited[2]	Holding company	United Kingdom	100
1 Westminster Bridge Plaza Management Company Limited[2]	Hotel operation	United Kingdom	100
Park Plaza Hospitality Services (UK) Limited[2]	Hotel operation	United Kingdom	100
WM/DMREF Bora B.V.[2][3]	Holding company	The Netherlands	20
W2005/Twenty Eight B.V.	Holding company	The Netherlands	20
Bora Finco B.V.	Holding company	The Netherlands	20
Waterford Investments Ltd.[1]	Holding company	Guernsey	100
Leno Investments Ltd.[1]	Holding company	Guernsey	100
Leno Finance Limited[1]	Holding company	Guernsey	100
Laguna Estates (Leeds) Ltd.[2]	Holding company	United Kingdom	100
Kathmandu Ltd.[2]	Holding company	British Virgin Islands	100
Sandbach Investments Ltd.[2]	Holding company	British Virgin Islands	100
Hotel Leeds Holding B.V.[2]	Holding company	The Netherlands	100
Hotel Nottingham Holding B.V.[2]	Holding company	The Netherlands	100
Nottingham Park Plaza Operator Ltd.[2]	Hotel operation	United Kingdom	100
Park Plaza Hotels Europe Holdings B.V.[2]	Holding company	The Netherlands	100
Park Plaza Hotels Europe B.V.[2]	Management	The Netherlands	100
Park Plaza Hotels (Germany) Services GmbH[2]	Management	Germany	100
Park Plaza Hotels Europe (Germany) B.V.[2]	Management	The Netherlands	100
Sugarhill Investments B.V.[2]	Holding company	The Netherlands	100
Park Plaza Germany Holdings GmbH[2]	Holding company	Germany	100
Park Plaza Berlin Hotelbetriebsgesellschaft mbH[2]	Hotel operation	Germany	100
Park Plaza Hotels Berlin Wallstrasse GmbH[2]	Hotel operation	Germany	100
Park Plaza Betriebsgesellschaft mbH[2]	Hotel operation	Germany	100
art'otel berlin mitte/Park Plaza Betriebsgesellschaft mbH[2]	Hotel operation	Germany	100
art'otel berlin city center west GmbH[2]	Hotel operation	Germany	100
art'otel dresden/Park Plaza Betriebsgesellschaft GmbH[2]	Hotel operation	Germany	100
SW Szàllodaüzemelteto kft[2]	Hotel operation	Hungary	100
art'otel Köln Betriebsgesellschaft mbH[2]	Hotel operation	Germany	100
Park Plaza Nürnberg GmbH[2]	Hotel operation	Germany	100
Parkvondel Hotel Holding B.V.[2]	Holding company	The Netherlands	100
Parkvondel Hotel Real Estate B.V.[2]	Holding company	The Netherlands	100
Parkvondel Hotel Management B.V.[2]	Hotel operation	The Netherlands	100
Golden Wall Investments Limited[1]	Finance company	British Virgin Islands	100
Apex Holdings Limited[1]	Holding company	British Virgin Islands	100
Aspirations Limited[2]	Holding company	British Virgin Islands	50
Park Plaza Coöperatief UA[1]	Holding company	The Netherlands	100
Park Plaza Hotels (UK) Services Limited[2]	Management	United Kingdom	100

(1) Direct holdings.

(2) Indirect holdings.

(3) Investment in an associate.

APPENDIX B: JOINTLY CONTROLLED ENTITIES

	Principal activity	Country of incorporation	Proportion of ownership interest
			%
V.H.R.I. B.V.	Holding company	The Netherlands	50
V.H.R.M.S. B.V.	Hotel operation	The Netherlands	50
Utrecht Victoria Hotel B.V.	Hotel operation	The Netherlands	50
Victoria Hotel C.V.	Hotel operation	The Netherlands	50
Melbourne Personeel B.V.	Hotel operation	The Netherlands	50
Schiphol Victoria Hotel C.V.	Holding company	The Netherlands	50
Victoria Schiphol Holding B.V.	Holding company	The Netherlands	50
Melbourne Holding B.V.	Hotel operation	The Netherlands	50
Melbourne Onroerende Zaken B.V.	Holding company	The Netherlands	50
Victoria Monument B.V.	Holding company	The Netherlands	50
Aspirations Limited	Holding company	British Virgin Islands	50

(1) The Company has 50 per cent. of the voting rights in the entity.

APPENDIX C

Each of Riverbank Hotel Holding BV, Grandis Netherland Holding BV and Victoria London Hotel Holding BV report to the Group in accordance with the group's accounting policies, which comply with IFRS as adopted by the European Union. Until 31 December 2010 they were jointly controlled by the Group and Elbit Imaging Inc.

The financial information presented below analyses the aggregate net assets and results of these three entities, between the amounts attributable to the group, and the amounts attributable to the joint-venture partner. This information does not reflect any consolidation adjustments that have been made in the group's consolidated financial statements to record its interest in these entities.

As stated in Note 2(g) to the group's consolidated financial statements, these entities were accounted for on a proportionate consolidation basis until 31 December 2010, at which time the Group acquired the interests previously held by the joint-venture partner. From that date, the entities are 100% held by the Group.

	As at 31 December 2010			As at 31 December 2009			As at 31 December 2008		
BALANCE SHEETS	**Amounts already attributable to the Group**	**Amounts acquired on 31 December 2010**	**Total attributable to the Group at 31 December 2010**	**Amounts attributable to the Group**	**Amounts attributable to the Joint-Venture Partner**	**Total**	**Amounts attributable to the Group**	**Amounts attributable to the Joint-Venture Partner**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
ASSETS									
NON-CURRENT ASSETS:									
Property, plant and equipment	91,499	79,875	171,374	105,241	91,745	196,986	101,580	87,790	189,370
Other non-current financial assets	518	381	899	—	—	—	—	—	—
	92,017	80,256	172,273	105,241	91,745	196,986	101,580	87,790	189,370
CURRENT ASSETS:									
Restricted cash	—	—	—	1,626	1,426	3,052	93	82	175
Inventories	148	134	282	162	147	309	132	120	252
Trade receivables	1,361	1,183	2,544	1,635	1,442	3,077	1,571	1,400	2,971
Other receivables and prepayments	1,509	1,346	2,855	1,948	1,721	3,669	1,592	1,395	2,987
Cash and cash equivalents	4,077	3,689	7,766	4,302	3,876	8,178	3,556	3,207	6,763
	7,095	6,352	13,447	9,673	8,612	18,285	6,944	6,204	13,148
Total assets	99,112	86,608	185,720	114,914	100,357	215,271	108,524	93,994	202,518
EQUITY AND LIABILITIES									
EQUITY	(44,465)	(37,344)	(81,809)	(48,501)	(41,116)	(89,617)	(41,515)	(35,998)	(77,513)
NON-CURRENT LIABILITIES:									
Bank borrowings	84,564	74,750	159,314	110,346	96,759	207,105	104,100	91,276	195,375
Other liabilities	43,187	35,470	78,657	40,208	33,479	73,687	35,557	29,721	65,279
	127,751	110,220	237,971	150,554	130,238	280,792	139,657	120,997	260,654
CURRENT LIABILITIES:									
Trade payables	1,945	1,738	3,683	1,067	920	1,987	635	571	1,207
Other payables and accruals	12,506	10,869	23,375	10,038	8,777	18,815	8,111	6,989	15,100
Bank borrowings	1,375	1,125	2,500	1,755	1,539	3,294	1,636	1,434	3,070
	15,826	13,732	29,558	12,860	11,236	24,096	10,382	8,995	19,377
Total equity and liabilities	99,112	86,608	185,720	114,914	100,357	215,271	108,524	93,994	202,518

INCOME STATEMENTS	Year ended 31 December 2010			Year ended 31 December 2009			Year ended 31 December 2008		
	Amounts attributable to the Group	Amounts attributable to the Joint-Venture Partner	Total	Amounts attributable to the Group	Amounts attributable to the Joint-Venture Partner	Total	Amounts attributable to the Group	Amounts attributable to the Joint-Venture Partner	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenues	30,091	26,468	56,559	29,022	25,633	54,655	33,273	29,302	62,574
Operating cost	18,944	16,632	35,576	17,167	15,102	32,269	21,689	19,049	40,738
EBITDAR	11,147	9,836	20,983	11,855	10,531	22,386	11,583	10,253	21,836
Rental expenses	980	803	1,783	477	394	871	473	387	860
EBITDA	10,167	9,033	19,200	11,378	10,137	21,515	11,110	9,866	20,976
Depreciation and amortisation	3,195	2,663	5,858	4,209	3,651	7,860	5,900	5,032	10,932
EBIT	6,972	6,370	13,342	7,168	6,486	13,654	5,210	4,834	10,044
Financial expenses	18,630	16,283	34,913	10,652	9,299	19,951	17,078	15,160	32,238
Financial income	1,540	1,424	2,964	16	14	29	87	79	166
Loss before tax	(10,118)	(8,489)	(18,607)	(3,468)	(2,800)	(6,268)	(11,781)	(10,247)	(22,028)
Income tax benefit (expense)	298	298	596	(320)	(320)	(640)	(29)	(29)	(58)
Loss for the year	(9,820)	(9,191)	(18,011)	(3,788)	(3,120)	(6,908)	(11,810)	(10,276)	(22,086)

PART VI

PROPERTY VALUATIONS

The information in this Part VI is in two parts:

- Part A: Property valuation prepared by Colliers; and
- Part B: Property valuation prepared by Savills.

PART A

PROPERTY VALUATION PREPARED BY COLLIERS

OUR REF RPG/LB/VL63905
YOUR REF –

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24 June 2011

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Investec Investment Banking
A division of Investec Bank Plc
2 Gresham Street
London
EC2V 7QP

Dear Sirs

PARK PLAZA HOTELS LIMITED
VALUATION OF PARK PLAZA WESTMINSTER BRIDGE LONDON

1. INSTRUCTIONS

1.1 In accordance with instructions received from Park Plaza Hotels Limited (the "Company") and originally confirmed by us in our letter dated 16 December 2010, we have undertaken a valuation of the freehold interest in Park Plaza Westminster Bridge London (the "Property").

1.2 We have made relevant enquiries in order to provide our opinion of Market Value as at 17 December 2010 (the "Valuation Date") of the Property as an operational entity including trading potential and fixtures and fittings but excluding trading stock and any personal goodwill and subject to Management Agreements (as defined below), on terms defined herein (the "Valuation").

1.3 This Valuation Report (the "Valuation Report") has been prepared for the purposes of inclusion in a prospectus (the "Prospectus") prepared by the Company in connection with the proposed admission ("Admission") of the entire issued share capital of the Company to the standard listing segment of the Official List and to trading on the main market for listed securities of London Stock Exchange plc.

1.4 Our valuation has been carried out in accordance with the Royal Institution of Chartered Surveyors ("RICS") Appraisal and Valuation Standards (Sixth Edition) as subsequently amended (the "Standards"). We confirm that we have undertaken the Valuation acting as external valuers, qualified for the purposes of this valuation.

1.5 In accordance with the Standards, our valuations have been prepared on the basis of:

i. Market Value subject to a Management Agreement; and

ii. Market Value subject to a Management Agreement and special assumptions that it has achieved the projections for its stabilised year of trade, assumed to be 2014 and on the basis that 535 Units have been previously sold prior to the Valuation Date.

2. PROPERTY

2.1 The property is located within the London Borough of Lambeth occupying a prominent island site at the eastern end of Westminster Bridge and on the South Bank. Major tourist attractions including the Houses of Parliament, Big Ben, the London Eye and the London Aquarium within County Hall are located nearby. Waterloo station providing main line rail services and London Underground connections is to the north-east.

2.2 The hotel is a modern purpose-built 16 storey building over a four level basement. The hotel has extensive conference and banqueting facilities including the 1,200 square metre pillar free ballroom. Food and beverage operations include the main restaurant, lobby and PRIMO Music Bar, Japanese restaurant, executive lounge and coffee shop. Leisure facilities include a luxury spa with 10 treatment rooms, 15 metre swimming pool and fitness centre.

2.3 The hotel provides 1,019 letting units (the 'Units') of which 535 have been sold on 999 year leases to third parties.

2.4 The property was inspected on 15 December 2010.

2.5 The owner has confirmed that there have been no material changes to the property since our inspection. The operational structure and tenure has changed with the hotel now run under two management agreements and with 1,018 of the Units now being held by way of 999 year leases.

3. VALUATION

3.1 On the basis outlined in this Valuation Report, in our opinion the value of the freehold interest in Park Plaza Westminster Bridge London as at the Valuation Date is:

i. Market Value subject to a Management Agreement and on the basis that 535 Units have been previously sold prior to the Valuation Date:

£175 million
(One Hundred and Seventy Five Million Pounds)

In our opinion the reasonable period required to complete a sale is in the region of 9-12 months.

ii. Market Value subject to a Management Agreement and special assumptions that it has achieved the projections for its stabilised year of trade, assumed to be 2014 and on the basis that 535 Units have been previously sold prior to the Valuation Date:

£185 million
(One Hundred and Eighty Five Million Pounds)

3.2 Our valuations are exclusive of VAT, but reflect purchaser's acquisition costs for investment valuations prevailing at the Valuation Date, namely 5.75 per cent.; comprising 4 per cent. stamp duty, stamp duty land tax, 1 per cent. agent's acquisition fees and 0.5 per cent. legal fees together with VAT of 17.5 per cent. on professional costs.

3.3 The valuation figures above represent our opinions of Market Value should the property be offered for sale as at the date of valuation whereas the figure for the Property which is included in the Company's consolidated accounts is shown at cost to the Company in accordance with IFRS. Property, plant and equipment is shown in the Company's consolidated balance sheet as at 31 December 2010 at €605.2 million. Approximately €160.5 million of this figure is attributable to Park Plaza Westminster Bridge London (which is the only property covered by in this Valuation Report). Accordingly, the difference between the values attributable to the Group's interest in the Property in: (a) the Company's consolidated balance sheet as at 31 December 2010; and (b) this Valuation Report, is approximately €14.5 million (making no assumption as to projected stabilised trading) and €24.5 million (assuming projected stabilised trading). The reason for this difference is the different basis of valuation described above, which reflects the passage of time since the relevant acquisition.

4. GENERAL ASSUMPTIONS & DEFINITIONS

4.1 Market value

4.1.1 Market Value (MV) is defined in the RICS Valuation Standards as the

"Estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

4.1.2 We confirm that when reporting our opinion of Market Value we have applied the interpretative commentary provided in Practice Statement 3.2 of the RICS Valuation Standards.

4.2 **Special assumptions**

4.2.1 A Special Assumption is defined in the RICS Valuation Standards as *"an assumption that either:*

requires the valuation to be based on facts that differ materially from those that exist at the date of valuation; or

is one that a prospective purchaser (excluding a purchaser with a special interest) could not reasonably be expected to make at the date of valuation, having regard to prevailing market circumstances".

4.2.2 We have made the special assumptions set out under Instructions — namely the market value of the property subject to the special assumption that stabilised trading has been achieved and on the basis that 535 Units have been sold.

4.3 **Worth and investment value**

4.3.1 Where we have been instructed to provide a valuation based on worth, or investment value, we have done so in accordance with PS 3.4 of the RICS Valuation Standards, where it is defined as the

"value of property to a particular owner, investor or class of investors for identified investment or operational objectives".7.2

4.3.2 Although under some circumstances worth may be the same as the amount that could be realised from the sale of the asset, this value is specific to a particular party and essentially reflects the benefits received by holding the asset and therefore does not necessarily involve hypothetical exchange. It may differ from Market Value.

4.4 **Operational entities**

In arriving at the reported valuation of a property comprising a fully equipped and operational trading entity our opinion of value has been arrived at in accordance with GN1 of the Valuation Standards, whereby the term 'Operational Entity' includes:

a. the legal interest in the land and buildings;

b. the plant and machinery, trade fixtures, fittings, furniture, furnishings and equipment (excluding value of consumable stock);

c. the trading potential, excluding personal goodwill, together with an assumed ability to renew existing licences, consents, certificates and permits; and

d. the benefit of any transferable licences, consents, certificates and permits.

4.5 **Valuation certainty**

4.5.1 All valuations are opinions of the price that would be achieved in a transaction at the valuation date, based on the stated assumptions or special assumptions. Like all opinions, the degree of subjectivity involved will vary significantly, as will the degree of 'certainty' (that is, the probability that the Valuer's opinion would be the same as the price achieved by an actual sale at the valuation date). These variations can arise because of the inherent features of the property, the market place or the information available to the valuer.

4.5.2 The RICS considers that, where uncertainty would have a material effect on the valuation, the valuer should draw the client's attention to this; and, if appropriate, we have done this in Sections One and Two of this report.

4.5.3 Furthermore, and irrespective of the degree of certainty attached to a valuation, we would emphasise that in the case of hotels and licensed property the value is, to varying degrees, based upon the actual or potential trading performance. Any changes to such performance could have a material effect upon the level of value.

4.6 **Services and structural condition**

4.6.1 We were not instructed to arrange for any services, drainage or service installations to be tested and we have valued on the basis that they are in good condition, comply with statutory requirements and are adequate for the property when operating at full capacity.

4.6.2 Our instructions specifically exclude undertaking a structural survey of the property and therefore, in preparing our valuation report, we have assumed that the property is of sound design and construction and free from any inherent defects. Furthermore, we did not inspect woodwork, roof voids or any other parts of the property which were covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. This report should not be taken therefore as expressing a definitive opinion as to the structural condition of any part of the property.

4.6.3 In arriving at our valuations we have had regard to the general state of repair and condition of the property as observed at the time of our inspection. Where we have noticed items of disrepair during the course of our inspection, they have been reflected in our valuations unless stated otherwise. In the event of structural or latent defects or faults being discovered of which we were not previously advised or aware, our valuations may need to be revised.

4.6.4 We have not carried out a site investigation. For the purposes of our valuation we have assumed that a site investigation would not reveal any unusual problems regarding the stability or load-bearing strength of the ground, or the need for excessive expenditure on foundations.

4.6.5 We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of this property, or has since been incorporated, and we are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation we have assumed that such investigation would not disclose the presence of any such material to any extent.

4.6.6 We have assumed that steps have been taken to comply with the Control of Asbestos Regulations (CAR) 2006 and that an Asbestos Management Plan is in place.

4.7 Environmental matters

Unless otherwise stated within the report, we have not carried out soil, geological or other tests or surveys in order to ascertain the site conditions or other environmental conditions of the property. Unless stated to the contrary within the report, our valuation assumes that there are no unusual ground conditions, contamination, pollutants or any other substances that may be environmentally harmful. Should it be established subsequently that contamination exists at the property or on neighbouring land, this might reduce the values reported.

4.8 Fixtures and fittings

4.8.1 Where the property is valued as an operational entity and includes trade contents, fixtures and fittings, it is assumed that these are not subject to any hire purchase or lease agreements or any other claim on title. We assume that the equipment is in good working order. No equipment or fixtures and fittings have been tested in respect of Electrical Equipment Regulations and Gas Safety Regulations and we assume that where appropriate all such equipment meets the necessary legislation.

4.8.2 Unless specified otherwise, our valuation does not include the value of motor vehicles, trading stock and items having exceptional value beyond their current use.

4.8.3 This valuation is made on the assumption that all trade contents are included in the price and have not been offered to a third party as security. If the customer eases cash flow by pledging parts of the inventory for a supplementary loan, or by acquiring fixtures and leasing arrangements, the business is exposed to the risk of closure by creditors in removing such items.

4.8.4 Any agreement to provide a loan secured on the premises should prohibit the contents being offered as security, or the premises being equipped with leased or hired items (other than fire alarm, radio/intercom systems, moveable catering equipment, television sets and similar items).

4.9 Tenure, lettings and reports on title and/or tenancies

4.9.1 Unless otherwise stated, we have not inspected the title deeds, leases and related legal documents and, unless otherwise disclosed to us, we have assumed that there are no onerous or restrictive covenants in the titles or leases which would affect the value.

4.9.2 Where we have not been supplied with leases, unless we have been advised to the contrary, we have assumed that all the leases are on a full repairing and insuring basis and that all rents are reviewed in an upwards direction only, at the intervals notified to us, to the full open market value. Other than as referred to in this report, we value on the assumption that the parties to the lease have complied with all the covenants contained therein. We further value on the assumption that, unless stated otherwise, there are no qualifying tenant's improvements.

4.9.3 We have assumed that no questions of doubt arise as to the interpretation of the provisions within the leases giving effect to the rent reviews. We have summarised our understanding of the terms of the lease(s) but reliance should not be placed on our interpretation without verification by a solicitor.

4.9.4 We have disregarded any inter-company lettings and have arrived at our valuations of such accommodation on the basis of vacant possession.

4.9.5 If a solicitors' Report on Title and/or Tenancies has been provided to us, our valuation will have regard to the matters therein. In the event that a Report on Title and/or Tenancies is to be prepared, we recommend that a copy is provided to us in order that we may consider whether any of the matters therein have an effect upon our opinion of value.

4.9.6 We have shown on the site plan the boundaries of the property as indicated to us and we assume that these boundaries show the true extent of the property and that there are no potential or existing boundary or other disputes. We have no knowledge of the responsibilities for fencing.

4.10 Taxation and other financial considerations

4.10.1 Whilst we have had regard to the general effects of taxation on market value, we have not taken into account any liability for tax which may arise on a disposal, whether actual or notional, and neither have we made any deduction for Capital Gains Tax, Valued Added Tax or any other tax.

4.10.2 Where we have valued the property as an operational entity, unless state otherwise we have not allowed for any acquisition or disposal costs. Such costs would include professional fees, tax liabilities, mortgages or other financial encumbrances, liability for repayment of Tourist Board grants and redundancy, or other compensation payments. Where we have valued the property as an investment, we have allowed for appropriate acquisition costs.

4.10.3 Our assessment of value of the interest ignores any incentive payments or capital allowances which may be obtainable either from government or other sources except in so much as they affect the general level of values prevailing.

4.10.4 Our Valuation does not take into consideration the value of any trade debtors or creditors or other assets or liabilities.

4.10.5 In the case of a property owned by a private company, our Valuation relates to assets owned by the company and is based on the assumption that the assets would be offered for sale without a requirement for the purchaser to acquire the shares of the company.

4.11 Statutory matters

4.11.1 We have assumed that the existing use of the Property is its permitted or lawful use. We have only made informal enquiries and have not consulted the Statutory Register or undertaken a Local Land Charges Search. We have assumed that there are no onerous proposals affecting the property and that all appropriate building regulations and planning conditions have been observed and that the property and its value is unaffected by any matters which would be revealed by a Local Search and replies to the usual enquiries.

4.11.2 We assume that the property is fully compliant with the Regulatory Reform (Fire Safety) Order 2005 or the Fire (Scotland) Act 2005.

4.11.3 We value on the assumption that the business is being operated in accordance with the conditions of its licences, that the Property will continue to hold its licences and that they can be transferred to a suitable purchaser. If the licences were not renewed, were lost or placed in jeopardy, then the value of the property could be reduced.

4.11.4 Our Valuation does not take account of any rights, obligations or liabilities, whether prospective or accrued, under the Defective Premises Act, 1972. Unless advised to the contrary, we have assumed that the property complies with, and will continue to comply with, the current Health and Safety and Disability legislation.

4.12 Insurance

4.12.1 In arriving at our valuation we have assumed that the building is capable of being insured by reputable insurers at reasonable market rates. If, for any reason, insurance would be difficult to obtain or would be subject to an abnormally high premium, it may have an effect on value.

5. SOURCES OF INFORMATION

5.1 Tenure and tenancies

5.1.1 The Property is held freehold by Marlbray Limited.

5.1.2 Since the valuation date, 535 999 year leases in respect of Park Plaza Westminster Bridge London have been granted to third party investors and 483 999 year leases have been granted to a wholly-owned subsidiary of the Company. The public area facilities are also subject to a 99 year lease in favour of a wholly owned subsidiary of the Company. The reported valuation assumed that the property was held freehold with 535 of the units having being sold off prior to the valuation date.

5.2 Management Agreements

5.2.1 At the date of valuation the hotel was operated under a management agreement (the "Management Agreement") for the rooms department made between Marlbray Limited and 1 Westminster Bridge Plaza Management Company Limited as owner and Park Plaza Hotels Europe B.V. as manager for a term of 25 years with an option to extend for a further ten years. A lease was made between Marlbray Limited as landlord and Park Plaza Hospitality Services (UK) Limited, a wholly-owned subsidiary of Marlbray Limited as tenant. For the purposes of our valuation we have assumed that upon sale this lease would be terminated with the Manager being responsible for the operation of these areas with the revenue generated treated as for other income sources, with the hotel effectively being run under a single Management Agreement.

5.2.2 The hotel is now operated under two management agreements, one relating to rooms department and one relating to public area facilities. The management agreements are made between Marlbray Limited, 1 Westminster Bridge Plaza Management Company Limited, Westminster Bridge Hotel Operator Limited and Park Plaza Hospitality Services (UK) Limited as owners and Park Plaza Hotels Europe B.V. as Manager for terms of 25 years with an option to extend for a further ten years.

5.2.3 Under the terms of the Management Agreement existing as at the valuation date and the subsequent second management agreement the base fee is 3 per cent. of gross revenue with an incentive fee of 7 per cent. of Gross Operating Profit ("GOP") being defined as gross revenue less expenses and permitted deductions or (in the case of the management agreement for the rooms department) 5 per cent. of the GOP if the annual return for the individual Unit holders (following the expiry of their income guarantees) is collectively 6 per cent. or less on their investment (with the return being the annual income generated from the relevant Unit net of management and costs charged, service charge etc. for that financial year).

5.2.4 There is a marketing fee payable based on 1.5 per cent. of gross rooms revenue. The replacement reserve fund rises from 1 per cent. of gross revenue in Year 1 to 4 per cent. in Year 4 and thereafter, in respect of the rooms department management agreement and from 1 per cent. of gross revenue in Year 1 to 3 per cent. of gross revenue in Year 3 and thereafter in respect of the public area facilities management agreement. For the purposes of our valuation we assumed an overall reserve fund based on 1 per cent. of gross revenue in Year 1 rising to 4 per cent. in Year 4 and thereafter.

5.2.5 Hotel employees are now defined as being employees of Westminster Bridge Hotel Operator Limited.

5.2.6 As mentioned above, 535 of the Units have been sold off on individual hotel Unit leases for a term of 999 years, made between Marlbray Limited as landlord and the individual purchaser as Unit holder.

5.2.7 The net income receivable by the Unit holder is the income generated by the Unit less certain expenses and service charges and any tax requirement that the Company may be due to pay dependent upon the Unit holders tax status.

5.2.8 We are verbally advised that substantially all of the Unit holders are guaranteed a 5 or 6 per cent. (with the exclusion of 2 units in respect of which the guaranteed rate is less than 5 per cent. per annum) return on the Unit purchase price for the first five years from completion. For the purposes of our valuation we assumed that all 535 Unit holders were guaranteed a 6 per cent. return on the Unit purchase price for the first five years from completion.

5.3 Trading information

We have been provided with nine months actual trading results for the period February 2010 to November 2010 and a forecast for December 2010 together with forecasts for the years ending 2011 to 2015. In addition we have had the opportunity of interviewing Mr Ezra Baruch, Financial Controller for Marlbray Limited.

6. MARKETABILITY AND VALUATION APPROACH

6.1 Marketability

6.1.1 In our opinion the Hotel is marketable at the values reported herein. We consider there would be a good demand for the Hotel which is likely to be derived from both UK and overseas based funds.

6.2 Valuation approach

6.2.1 Properties such as Park Plaza Westminster Bridge London usually change hands in the open market at a price related to their trading potential for that strictly limited use. This type of property is usually sold as a fully operational business including trading potential and all trade furniture, fixtures, fittings, plant and equipment, but excluding trading stock and it is on that basis that we have valued the Property. We assume that a purchaser would take over the benefit of all bookings and take over existing staff, but not necessarily senior management. Trading stock is excluded from our valuation as it is normally acquired at value on the date of completion.

6.2.2 The approach that we have adopted in assessing the value of this hotel reflects the approach that we believe the market would take and in this respect we have considered the profit and comparable basis of valuation. That said, there are rather an unusual set of circumstances surrounding this valuation, not least to enter the fact that whilst the hotel is operated as 1,019 key hotel, only 484 of the keys are retained by the hotel owner. Nevertheless in valuing the hotel, as with all hotel valuations, we have considered how the 1,019 key hotel might perform both now and in the future and deducted all costs/payments made to the long leasehold owners of the remaining 535 keys prior to capitalising this residual sum at an appropriate yield.

6.2.3 In arriving at the Market Value as at the Valuation Date and subject to the Management Agreements as the hotel had only recently commenced trading in full, the overall methodology we have used for our valuation is to reflect the trading projections that have been prepared by the Company in a discounted cash flow (DCF) model. This is the approach for a newly built and not yet fully mature hotel of this nature that we consider the market would adopt. It involves the capitalisation of the tenure income stream discounted back to today's date.

6.2.4 In arriving at our opinion of market value subject to the Management Agreements and assumption of stabilised trading and based on our experience in the sector and on the explicit assumption that the hotel has achieved its stabilised year of trade we have applied an appropriate yield to the stabilised EBITDA deriving the valuation reported herein.

7. LIABILITY AND PUBLICATION

7.1 This Valuation Report is provided for the purposes of inclusion in the Prospectus and may be referred to in announcements connected thereto. The basis of valuation might be inappropriate for other purposes and may not be otherwise used without our prior written consent. Neither the whole nor any part of this Valuation, or any reference thereto, may be included in any other published document, circular or statement nor published in any way without our previous written consent to the form and context in which it is to appear.

7.2 We confirm that we have given and have not withdrawn our consent to the inclusion of this Valuation Report in the Prospectus and with references thereto and to our name in the form and context in which they are included in the Prospectus. We also authorise the contents of this Valuation Report which is included in the Prospectus for the purposes of Prospectus Rule 5.5.3R(2)(f) and item 23.1 of Annex I of Commission Regulation (EC) 8.9/2004.

Yours faithfully

R P Greenwood BSc (Hons) MRICS
Director — Hotels
COLLIERS INTERNATIONAL

D I Hossack Dip Val MRICS IRRV
Director — Hotels
COLLIERS INTERNATIONAL

PART B

PROPERTY VALUATION PREPARED BY SAVILLS

24 June 2011

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Dear Sirs

PARK PLAZA HOTELS LIMITED
VALUATION OF FREEHOLD AND LONG LEASEHOLD ASSETS

1. Instructions

1.1 In accordance with the instructions from Park Plaza Hotels Limited (the "Company"), confirmed by us in writing on 8 June 2011, we have inspected the 14 properties, held by the Company, and described below (the "Properties"). We have made all relevant enquiries in order to provide our opinion of the Market Value (as defined below) of each Property, as at 7 June 2011 (the "Valuation Date"), of the freehold, and leasehold interests, as fully fitted, equipped and operational entities having regard to trading potential and subject to Management Contracts (as defined below), on the terms defined herein (the "Valuations").

1.2 This valuation report ("Valuation Report") has been delivered for the purpose of inclusion in the prospectus (the "Prospectus") prepared by the Company in connection with the proposed application for admission ("Admission") of the entire issued share capital of the Company to the standard listing segment of the Official List and to trading on the main market for listed securities of London Stock Exchange plc.

2. The Properties

The 14 Properties that we have valued listed in paragraph 4.4 of this Valuation Report and are briefly described in paragraph 8 of this Valuation Report. Each Property has been valued individually and not as part of a portfolio.

3. Basis of Valuation

3.1 Our valuations have been carried out in accordance with the RICS Valuation Standards Global and UK (the "Red Book") Seventh edition effective from 2 May 2011, as subsequently amended (the "Standards"). They have been undertaken by Independent Valuers, as defined in the Standards.

3.2 In accordance with the Standards, our valuations have been prepared on the basis of Market Value, which is defined in the Standards, as follows:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

3.3 The valuation figures included in the report are our opinions of Market Value should the properties be offered for sale as at the date of valuation whereas the figures which appear in the Company's consolidated accounts are shown at cost to the Company in accordance with IFRS. Property, plant and equipment is shown in the Company's consolidated balance sheet as at 31 December 2010 at €605.2 million. Approximately €160.5 million of this figure is attributable to Park Plaza Westminster Bridge London (which is not covered by in this Valuation Report). Accordingly, the difference between the values attributable to the Group's interests in the Properties in: (a) the Company's consolidated balance sheet as at 31 December 2010; and (b) this Valuation Report, is approximately €157.1 million. The reason for this difference is the different basis of valuation described above, which reflects the passage of time since the relevant acquisition.

4. Valuations

4.1 On the basis outlined in this Valuation Report, we are of the opinion that the aggregate Market Value of the respective freehold and long leasehold interests in each Property, as fully fitted, equipped and operational entities having regard to trading potential and subject to the Management Contracts on the terms defined herein, as at the Valuation Date, is as stated below.

4.2 The aggregate of the individual Market Values as at the Valuation Date is €601,774,836 (six hundred and one million, seven hundred and seventy four thousand, eight hundred and thirty six Euros)*.

4.3 Our valuations are exclusive of any VAT.

4.4 The valuations are set out as follows:

Hotel	Tenure	Use	Market Value £	Market Value €
UK PROPERTIES				
Park Plaza Sherlock Holmes London	Leasehold	119 Bedrooms	£16,900,000	€19,379,568
Park Plaza Victoria London	Freehold	299 Bedrooms	£101,700,000	€116,621,424
Victoria Retail Unit, London	Leasehold	Retail	£1,900,000	€2,178,768
Park Plaza Riverbank London & Plaza on the River — Club & Residence	Leasehold	460 Bedrooms	£145,800,000	€167,191,776
art'otel london hoxton	Freehold	352 Bedrooms (site)	£30,000,000	€34,401,600
Park Plaza Leeds	Freehold	185 Bedrooms	£16,875,000	€19,350,900
Park Plaza Nottingham	Leasehold	178 Bedrooms	£15,000,000	€17,200,800
Sub Total			**£328,175,000**	**€376,324,836**
EUROPEAN PROPERTIES				
Park Plaza Eindhoven	Freehold	104 Bedrooms	£14,214,399	€16,300,000
Park Plaza Utrecht	Leasehold	120 Bedrooms	£19,621,103	€22,500,000
Park Plaza Vondelpark, Amsterdam	Freehold	138 Bedrooms	£23,370,913	€26,800,000
Park Plaza Victoria Amsterdam	Freehold	306 Bedrooms	£87,204,900	€100,000,000
art'otel amsterdam	Freehold	105 Bedrooms (vacant)	£16,786,943	€19,250,000
Park Plaza Amsterdam Airport	Freehold	342 Bedrooms	£29,954,883	€34,350,000
Park Plaza Nuremburg	Freehold	175 Bedrooms (site)	£5,450,306	€6,250,000
Sub Total			**£196,603,447**	**€225,450,000**
Aggregate of Values			**£524,778,447**	**€601,774,836**

Notes:

* Based upon an exchange rate of 0.872049 Euros to the Pound.

(1) art'otel london hoxton, art'otel amsterdam and Park Plaza Nuremberg are currently not trading hotels.

5. Transaction Costs

5.1 No allowance has been made for any expenses of realisation nor for taxation which might arise in the event of a disposal of any of the Properties such as Capital Gains Tax or Value Added Tax or any other tax liability. We have, however, taken account of purchasers' acquisition costs for investment valuations. These vary with location but are typically between 5 per cent. and 6 per cent. of the value. For example, in the United Kingdom these would amount to 5.75 per cent., comprising 4.0 per cent. Stamp Duty Land Tax, 1.0 per cent. agents' acquisition fees and 0.5 per cent. legal fees, together with VAT of 20 per cent. on professional fees.

6. Valuations made on Special Assumptions

6.1 There are circumstances in which it may be appropriate to make additional/different assumptions, these are known as special assumptions ("Special Assumptions").

6.2 Section 1.1 of Appendix 4 to Valuation Standards ("VS") 2 of the Standards states that:

"Examples of the circumstances under which it may be appropriate to make Special Assumptions include:

- a situation where a bid from a special purchaser has been made or can be reasonably anticipated;
- a situation where circumstances mean that the interest that is being valued cannot be offered freely and openly in the market;
- a past change in the physical circumstances of the property where the valuer has to assume those changes have not taken place;
- an impending change in the physical circumstances of the property, for example, a new building constructed or an existing building refurbished or demolished; or
- an anticipated change in the mode of occupation or trade at the property."

6.3 Section 1.2 of Appendix 4 to VS 2 of the Standards states that:

"Some examples of Special Assumptions are that:

- planning consent has been, or will be, granted for development (including a change of use) at the property;
- a building or other proposed development has been completed in accordance with a defined plan and specification;
- the property has been changed in a defined way (for example, removal of process equipment);
- the property is vacant when, in reality, at the valuation date it is occupied;
- it is let on defined terms when in reality at the valuation date it is vacant; or
- the exchange takes place between parties where one or more has a special interest and that additional value, or "marriage value', is created as a result of the merger of the interests."

6.4 Section 4.1 of Appendix 4 to VS 2 of the Standards states that:

"In the case of a trading property, the Special Assumptions may include that:

- accounts or records of trade would not be available to, or relied upon, by a prospective purchaser;
- the business is open for trade when it is not;
- the business is closed when it is actually trading from the property;
- the inventory has been removed, or is assumed to be in place when it is not;
- the licences, consents, certificates, and/or permits required in order to trade from the property are lost or are in jeopardy;
- the business will continue to trade on its present terms, including any ties to the landlord for supply of liquor, gaming machines or other goods and services; or
- the valuation reflects the least cost to replace all elements of the service potential of the property to the owner of the interest being valued, which may include the margin gained from tied wholesale supplies of goods or from the supply of services."

6.5 The adoption of some of these Special Assumptions may qualify the application of the definition of Market Value. They are often particularly appropriate where the Client is a lender, where special assumptions are used to illustrate the potential effect of changed circumstances on the value of a property as a security.

6.6 We have valued the current trading hotels (the "Hotels") as fully equipped operational entities with no restrictions on marketing period, availability of trading information or otherwise.

7. Assumptions and Sources of Information

7.1 ***Tenure and Tenancies***

Nine of the 14 Properties are held freehold, and the other five properties are held long leasehold. We have not been provided with up to date Reports on Title.

All restrictions on title, encumbrances, covenants and other matters have been considered in the context of the vacant possession value where the impact of restrictions may take on greater significance. If there is a material impact on the vacant possession value, then this could in turn affect the investment value.

7.2 ***Management Contracts***

The Hotels are subject to management contracts, which are either for 15 or 20 year terms and with options to extend for either 5 or 10 additional years (together the "Management Contracts"). The Management Contracts will remain in place upon Admission.

The Management Contracts are on virtually identical terms for each Hotel. The group of companies owned or partly owned by the Company (the "Group") will receive the net operating profit after fees of the Hotels with no minimum guarantees offered by the Manager.

The fees are between 2 per cent. and 3 per cent. of rooms revenue or total revenue and between 7 per cent. and 10 per cent. of gross operating profit ("GOP") as detailed in paragraph 9.2 below. In our Valuations we have followed the industry convention, using the principles set out in the Uniform System of Accounting of the American Hotel and Motel Association, which has now been adopted in the UK and mainland Europe.

The Group will provide for all maintenance, repairs and outgoings at the Properties, with the owner responsible for the associated costs. The Properties, including all fixtures and fittings, will be owned by the owner. In addition, the owner will be the employer of all staff employed at the Properties.

7.3 ***Fixtures Fittings and Equipment***

The hotels that are trading have been valued inclusive of all fixtures fittings and equipment necessary to continue trading. They are assumed to be free of all leasing or hire purchase agreements.

7.4 ***Accommodation and Measurement***

We have not undertaken full measured surveys of the Properties in accordance with the sixth edition of the Code of Measuring Practice issued by the RICS. Information regarding number of bedrooms and facilities for each Hotel has been provided by the Company.

7.5 ***Trading Information***

We have been provided with management accounts for each Hotel for the periods 2008 to 2010 together with Q1 2011 actual trade with budgets for the remainder of the year and forecasts for 2012. In addition we have had the opportunity to interview senior staff including the Hotel general managers with a view to discussing and understanding the operational performance of the Hotels in detail. Where hotels are not yet open, we have been provided with a five year trade forecast from the Company.

7.6 ***Building Structure***

This Valuation Report is not a structural survey and we therefore provide our Valuations on the assumption that the Properties are of sound design and construction, and free from inherent defects. We have not inspected any covered or inaccessible areas, nor was any detailed inspection carried out of woodwork or structural members. We did not carry out any investigation to determine whether or not high alumina cement, calcium chloride additives, asbestos or other potentially deleterious or hazardous materials have been used in the construction of the Properties or have since been incorporated in the Properties.

7.7 ***Services, Plant and Equipment***

No detailed inspection or tests have been carried out by us on any of the services or items of equipment at the Properties, therefore no warranty can be given with regard to their serviceability, efficiency, safety or adequacy for their purpose.

7.8 ***Environmental Investigations***

We were not instructed to undertake an environmental audit and therefore are unable to warrant that the Properties will not be adversely affected by the provisions and implementation of the

Environmental Protection Act 1990, the Environment Act 1995 or any legislation or regulation applicable in The Netherlands and Germany. We have not investigated whether the sites are or have in the past been contaminated and we are therefore unable to warrant that the Properties are free from any defect or risk in this respect. This Valuation Report is therefore based on the assumption that the land at each property is not contaminated and any specialist investigation would not disclose the presence of any adverse conditions on the Property sites or within the buildings. We have been provided with a number of environmental reports and desktop surveys which we have reviewed. There is nothing that has been drawn to our attention within any of these documents provided to us that would cause us to alter any of our reported opinions of Market Value.

7.9 ***Town Planning and Statutory Enquiries***

We have made informal enquiries of the relevant statutory authorities, and have relied upon further information contained in the Reports on Title in respect of planning and other matters.

The Properties constituting the new developments of art'otel amsterdam and art'otel london hoxton and Park Plaza Nuremburg have each been valued on the assumption that all necessary planning permissions and consents have been received.

7.10 ***Mortgages etc.***

No account has been taken of any mortgages, debentures or other security, which may now or in the future exist over any of the Properties.

8. The Properties

8.1 The four Properties located in London comprise three trading four-star deluxe standard hotels and a set of five-star standard serviced suites, adjoining Park Plaza Riverbank London. These Properties are situated in good central London locations, respectively near Victoria Station and on Baker Street.

8.2 Park Plaza Riverbank London and adjoining suites had fully opened by October 2005 and Park Plaza Victoria London opened in September 2001. Both have been developed to a high standard. All the Properties located in London offer high quality overnight accommodation with ancillary services including bar, restaurant, fitness suite and conference facilities, expected for a four-star hotel product.

8.3 The Victoria Retail Unit, London comprises three contiguous retail units let as a single investment adjoining Park Plaza Victoria London. They have been let from 2007 on a single 10 year lease to Chesterton Global Limited at an annual rent in 2010 of £150,000 with a rent review in 2012.

8.4 The proposed 352 bedroom art'otel london hoxton is located on the north east City of London fringe, an increasingly popular and developing area of London, ideal for an art'otel. Planning consent was obtained in February 2010. The site is 50 per cent. owned by the Company.

8.5 The 105 bedroom art'otel amsterdam has been valued at €39.17 million upon completion of the renovations and at €19.25 million as existing pre-renovations.

8.6 The Properties located in The Netherlands include three trading centrally located four-star hotels, being Park Plaza Victoria Amsterdam, Park Plaza Utrecht and Park Plaza Eindhoven. Park Plaza Vondelpark, Amsterdam is a little less central and has recently benefitted from refurbishment. The Company has also recently completed renovations to Park Plaza Eindhoven. The Company acquired Park Plaza Amsterdam Airport in 2010 and is conveniently located close to Schiphol Airport and trades as a newly developed four-star hotel.

8.7 Park Plaza Nuremberg is currently a shell office building awaiting conversion to a hotel and is anticipated to commence in 2012 and to complete in 2013 and will comprise a four-star 175 bedroom hotel.

9. Approach to Valuation

9.1 We have considered our Valuations subject to the Management Contracts. We are of the opinion that should the hotels be marketed for sale, the bids offered by investors and hotel operators will be similar, as each must consider the other in the process.

9.2 The Hotels are currently subject to Management Contracts with the owner receiving the net hotel income after fees. Fees are between 2 per cent. and 3 per cent. of room revenues or total revenues, plus an incentive fee of between 5 per cent. and 7 per cent. of the gross operating profit from the hotel operations. There is also a franchise fee of 1 per cent. to 3 per cent. of room revenues and a sales and marketing fee of 1 per cent. to 2 per cent. of room revenues. In addition, in some instances, there is a head office reimbursement cost of 3 per cent. of gross operating profit to cover overhead expenses.

9.3 In order to arrive at our Valuations we have undertaken a discounted cash flow method for the projected net earnings for the 11 trading properties discounted back to present day values using an appropriate discount rate. The cash flows have been taken over a 10 year period with the discount rate adopted reflecting investor's target rate of return.

9.4 The proposed art'otel london hoxton, Park Plaza Nuremberg and art'otel amsterdam are development projects. Accordingly, the valuation has been based on a development appraisal taking into account the anticipated total development value and then deducting the construction costs, fees, finance and making an allowance for profit.

9.5 The Victoria Retail Unit, London has been valued on a conventional investment basis with the net income capitalised and a deduction made for the purchaser's costs.

10. Saleability

The saleability of each of the Properties is positive as the majority of the Hotels are new build, in good locations and subject to a Management Contract to an international operator.

11. Exclusions

11.1 Whilst our Valuations include the normal items of trade fixtures, fittings, furniture and furnishings necessary for the continuance of the business, it excludes consumable stocks.

11.2 We have excluded from our consideration any special purchaser who, due to special interest or circumstances, may wish to purchase the Property or the business of the relevant Hotel.

11.3 Whilst we have had regard to the general effects of taxation on Market Value, we have not taken into account any liability for tax which may arise on a disposal, whether actual or notional, and neither have we made any deduction for Capital Gains Tax, Value Added Tax or any other tax liability.

11.4 The Market Values in this Valuation Report are exclusive of VAT. We have not undertaken any enquiries to ascertain whether or not a sale of any Property would attract VAT.

11.5 This Valuation Report is based on the technical, legal and financial information provided to us and we have relied on this information in formulating our Valuations.

12. Responsibility

12.1 This Valuation Report is provided for the purpose of inclusion in the Prospectus and may be referred to in announcements connected thereto. The basis of valuation might be inappropriate for other purposes and may not be otherwise used without our prior written consent.

12.2 Neither the whole nor any part of this Valuation Report nor any reference thereto may be included in any other published document, circular or statement, nor published in any way without our written approval of the form and context in which it is to appear.

12.3 We confirm that we have given and have not withdrawn our consent to the inclusion of this Valuation Report in the Prospectus and the references thereto and to our name in the form and context in which they are included in the Prospectus.

Yours faithfully
For and on behalf of Savills Advisory Services Limited

PHILIP JOHNSTON BSc (Hons) MRICS
RICS Registered Valuer
Director — Hotels
Savills Advisory Services Limited

TIM STOYLE BSc MRICS
RICS Registered Valuer
Director — Hotels
Savills Advisory Services Limited

PART VII

ADDITIONAL INFORMATION

1. Responsibility statements

1.1 The Directors, whose names and functions appear on page 21 of this document, and the Company, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 Colliers, the registered office of which appears on page 212 of this document, accepts responsibility for the information contained in Part A of Part VI of this document. To the best of the knowledge of Colliers (which has taken all reasonable care to ensure that such is the case) the information contained in Part A of Part VI of this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.3 Savills, the registered office of which appears on page 212 of this document, accepts responsibility for the information contained in Part B of Part VI of this document. To the best of the knowledge of Savills (which has taken all reasonable care to ensure that such is the case) the information contained in Part B of Part VI of this document is in accordance with the facts and information provided to them at the time of valuation and does not omit anything likely to affect the import of such information.

2. The Company

2.1 The Company was incorporated and registered in Guernsey on 14 June 2007 under the Companies Law with registration number 47131 as a non-cellular company limited by shares with the name Park Plaza Hotels Limited.

2.2 The registered office of the Company is at 1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St. Peter Port, Guernsey GY1 1EW and its telephone number is +44 (0)1481 737217.

2.3 The principal legislation under which the Company operates is the Companies Law and the regulations made thereunder. The Company is domiciled in Guernsey.

2.4 The liability of the members of the Company is limited to the amount, if any, unpaid on the Shares held by them.

2.5 The accounting reference date of the Company is 31 December.

2.6 The auditor of the Company for each of the financial years ended 31 December 2008, 31 December 2009 and 31 December 2010 was Ernst & Young LLP, of PO Box 9, Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey GY1 4AF, which is registered as a recognised auditor by the Guernsey Registrar of Companies under the Companies Law.

3. Description of share capital

3.1 The share capital of the Company is represented by an unlimited number of ordinary shares with no par value each. As at 31 December 2010 (being the date of the most recent balance sheet included in Part V of this document), the number of Shares issued and fully paid by the Company was 42,677,292 of which 862,000 were held in treasury.

3.2 On 1 January 2010, the number of Shares issued by the Company was 42,677,292 of which 862,000 were held in treasury.

3.3 Since 1 January 2008, the only changes to the issued share capital of the Company have been as follows:

3.3.1 the issue of 735,000 Shares on 20 February 2008 as part of the consideration for the acquisition of Marlbray; and

3.3.2 the repurchase by the Company on 29 September 2009 of 862,000 Shares at a price per Share of 111p which have since been held in treasury; and

3.3.3 the issue of 1,000,000 Shares on 31 December 2010 as part of the consideration for the acquisition of interests in Park Plaza Sherlock Holmes London, Park Plaza Victoria London and Park Plaza Riverbank London.

3.4 Immediately following Admission, the issued share capital of the Company will be:

	Number issued (and fully paid)
Shares	42,677,292[(1)]

Note:
(1) 862,000 of these Shares are held in treasury

3.5 The Shares are in registered form and are capable of being held in certificated form or in uncertificated form through the book-entry system operated by CREST. When admitted to trading to Main Market of the London Stock Exchange, the Shares will continue to be registered with ISIN GG00B1Z5FH87.

3.6 The Articles and the Companies Law permit the Directors to exercise all powers of the Company to allot Shares. The Directors do not currently intend to allot further Shares other than to satisfy the valid exercise of options granted under the Share Option Plan details of which are set out in section 4 of this Part VII headed "The Park Plaza Hotels Limited Executive Share Option Plan". In order to grow and further diversify its business as opportunities arise, the Company may require additional capital. In this connection therefore the Directors may exercise these powers in order that the Company may raise additional capital subject to the rights of pre-emption in the Articles described in section 5.6 of this Part VII headed "Memorandum and Articles — Pre-emption rights".

3.7 An extraordinary resolution of Shareholders was duly passed on 16 June 2011 empowering the Directors to allot Shares or sell treasury Shares for cash as if the pre-emption rights contained in the Articles did not apply to such allotment provided that the authority is limited to the allotment of Shares or the sale of treasury Shares:

3.7.1 in connection with an offer of securities: (a) to holders of Shares (other than the Company) on the Register of Members on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities; or (b) to holders of other securities in accordance with the rights attached thereto, and so that the Directors may impose limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury Shares, fractional entitlement or securities represented by depositary receipts, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter; and

3.7.2 (otherwise than pursuant to the right described in section 3.7.1 of this Part VII) up to a maximum aggregate number of 4,187,529 Shares (representing 10 per cent. of the Issued Share Capital),

and further provided that such authority shall apply until the end of the next annual general meeting of the Company after the date of the passing of the resolution, or, if earlier, the date falling 15 months after the date of the Resolution, save that under each authority the Company may, before such expiry, make an offer or agreement which would or might require Shares to be issued or treasury Shares to be sold or rights to subscribe for or convert securities into Shares to be granted after the authority ends and the Directors may issue Shares or sell treasury Shares or grant rights to subscribe for or convert securities into Shares under any such offer or agreement as if the authority had not ended.

3.8 A special resolution of the Shareholders was duly passed on 16 June 2011 resolving that the Company be generally and unconditionally authorised for the purpose of the Articles at any time at the absolute discretion of the Directors in accordance with the Companies Law, to make market acquisitions (as defined in the Companies Law) of Shares on such terms and in such manner as the Directors shall from time to time determine provided that:

3.8.1 the maximum aggregate number of Shares authorised to be acquired is 4,187,529 (representing 10 per cent. of the issued share capital (excluding treasury Shares));

3.8.2 the minimum price that may be paid for each Share is £0.01 (exclusive of expenses);

3.8.3 the maximum price (exclusive of expenses) that may be paid for each Share is an amount equal to:

(i) not more than 5 per cent. above the average of the middle market quotations for the Shares as derived from AIM (prior to Admission) and the Daily Official List of London Stock Exchange plc (following Admission) for the five business days before the purchase is made; or

(ii) (following Admission) the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share as derived from the London Stock Exchange Trading System;

3.8.4 the authority conferred shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, the date 15 months after the date on which the resolution was passed, unless such authority is renewed prior to such time; and

3.8.5 the Company may make a contract to acquire its Shares under the authority conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority, and may purchase its Shares in pursuance of any such contract.

3.9 There has been no public takeover bid by a third party for all or any part of the Company's equity share capital since 31 December 2009 for the period up to and including the date immediately prior to the date of this document.

3.10 The Shares are currently admitted to trading on AIM under the Stock ID "PPH" and are quoted in pounds sterling.

4. The Park Plaza Hotels Limited Executive Share Option Plan

4.1 ***Introduction***

The Company has established an executive share option plan (the "Share Option Plan") under which options have been, and are to be granted over Shares. The Share Option Plan was adopted by the Board on 11 July 2007 and does not qualify for approval by HM Revenue & Customs. The following is a summary of the principal terms of the Share Option Plan:

4.2 ***Administration***

The Share Option Plan is administered by the Remuneration Committee.

4.3 ***Eligibility***

Any employee (including an executive Director) of the Group (including, for these purposes, joint venture companies) is eligible to participate, on the recommendation of the Remuneration Committee at its discretion, in the Share Option Plan.

4.4 ***Types of Option***

The Share Option Plan has two types of options: option A and option B. Option A becomes exercisable over a period of three years from date of grant and option B becomes exercisable at the end of three years from the date of grant. Unexercised options expire 10 years after the date of grant. The plan does not include any performance conditions.

4.5 ***Grant of options***

No payment is required for the grant of an option.

Options may be granted in the six week periods following:

(a) the date on which any amendment to the Share Option Plan becomes effective; and

(b) an announcement by the Company of its results for any period, or the issue by the Company of a prospectus or similar document.

Options may also be granted, in exceptional circumstances, outside these periods.

No options may be granted under the Share Option Plan after the tenth anniversary of its adoption.

As at the date of this document, 189,550 options A and 239,050 options B are outstanding.

4.6 ***Exercise price***

When granted, all of the outstanding options A and options B had an exercise price per Share of £5.50. However, following the recommendation of the Remuneration Committee the exercise price per Share of all such options was reduced on 10 June 2009 to 100p.

The exercise price per Share for options granted in the future under the Share Option Plan will not be less than the closing price of a Share on the dealing day immediately preceding the date of grant (as published in the Financial Times on the date of grant).

4.7 ***Plan limit***

The Company intends to issue new Shares to satisfy options but options may be satisfied by the transfer of existing Shares.

4.8 ***Individual limit***

During any financial year of the Company, options may not be granted to any individual over Shares with a value (measured at the date of grant) of more than 500 per cent. of his basic salary.

4.9 ***Exercise of options***

Options A granted under the Share Option Plan become exercisable in respect of a third of the Shares under option on the first anniversary of the date of grant of the options, in respect of a further third of the Shares under option on the second anniversary of the date of grant and in respect of the remaining Shares under option on the third anniversary of the date of grant.

Options B granted under the Share Option Plan become exercisable on the third anniversary of their date of grant.

No option may be exercised more than ten years after its date of grant.

When options granted under the Share Option Plan are exercised, the optionholder's employing company will withhold, where necessary, the relevant amount in order to account for any income tax and employees' social security contributions due on the option gain. Optionholders will be required to authorise the sale of sufficient Shares to meet this liability. Optionholders may also be required to meet any employers' social security contributions arising on the exercise of options.

4.10 ***Leavers***

Earlier exercise of options is permitted if an optionholder dies. In these circumstances, the deceased optionholder's options may be exercised in full.

If an optionholder ceases to be employed by the Group for any reason other than his resignation or his or her dismissal on the grounds of gross misconduct, options may be exercised to the extent determined by the Remuneration Committee in its absolute discretion.

If the optionholder resigns from his or her employment or is dismissed on the grounds of gross misconduct, his or her options lapse.

4.11 ***Change of control***

The rules of the Share Option Plan allow early exercise in the event of takeover, reconstruction or winding-up of the Company. In these circumstances, options may be exercised in full for a short period thereafter.

4.12 ***Variation of share capital***

In the event of a rights or capitalisation issue or any sub-division, consolidation, reduction or other variation of the Company's share capital, the exercise price of an option and the number of Shares subject to an option may be adjusted in such manner as the Remuneration Committee determines is appropriate.

4.13 ***Voting, dividend and other rights***

Optionholders have no voting or dividend rights in respect of the Shares under option until options are exercised.

Shares allotted under the Share Option Plan will rank *pari passu* with the existing Shares with the exception of rights attaching by reference to a record date prior to the allotment date. Application will be made to the UKLA and London Stock Exchange respectively for all such Shares to be admitted to the standard listing segment of the Official List and to trading on the main market for listed securities of London Stock Exchange.

Options are non-transferable and non-pensionable.

4.14 ***Amendments***

Subject to what follows, the Share Option Plan may be amended by the Remuneration Committee in any respect.

No amendment may be made to the rules of the Share Option Plan if it would adversely affect the rights of optionholders unless each optionholder is invited to approve the amendment and a majority of the optionholders who respond do so, except for amendments considered by the Remuneration Committee to benefit the administration of the Share Option Plan, to take account of legislation, to obtain or maintain favourable tax, exchange control or regulatory treatment or to take account of a corporate transaction, provided the amendment does not affect the Share Option Plan's basic principles.

5. Memorandum and Articles

The following is a summary of the principal provisions of the memorandum and articles of incorporation of the Company which were adopted by a special resolution of Shareholders duly passed on 16 June 2011 and which will take effect immediately prior to Admission.

5.1 ***Objects***

The memorandum of incorporation of the Company does not limit the Company's objects.

5.2 ***Capital structure***

The share capital of the Company is represented by an unlimited number of Shares of no par value having the rights described in the Articles. Under the Articles, the Directors are given authority to effect the issue of further shares of the same class and to create new classes of shares.

5.3 ***Variation of class rights***

All or any of the rights for the time being attached to any class of shares for the time being issued may (notwithstanding that the Company may or may be about to be in liquidation) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters of the capital committed or agreed to be committed in respect of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles, but so that the quorum at such meeting (other than an adjourned meeting) shall be two persons holding or representing by proxy at least one-third of the capital committed or agreed to be committed in respect of the issued shares of the class in question.

Preferential, deferred, or other special rights may be conferred upon the holders of the shares of any class of shares issued by the Company and such rights shall not (unless expressly provided for in their terms of issue) be deemed to be varied by: (a) the creation or issue of further shares ranking as regards participation in profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto, (b) the purchase or redemption by the Company of any of its own shares, or (c) the exercise of any of the powers described in section 5.4 of this Part VII.

5.4 ***Alteration of Share Capital***

The Company may, from time to time, by ordinary resolution:

- consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- sub-divide all or any of its shares into shares of a smaller amount so however that in subdivision the proportion between the amount paid and the amount if any unpaid on each reduced share is the same as it was in the case of the share from which the reduced share is derived and so that the resolution whereby any share is subdivided may determine that, as between the holders of the shares resulting from the sub-division, one or more of the shares may have such preferred, deferred or other rights over the others as the Company has power to attach to unissued or new shares.

- cancel any shares which at the date of the resolution have not been taken or agreed to be taken by any person;
- convert all or any of its fully paid shares the nominal amount of which is expressed in a particular currency into fully paid shares of a nominal amount of a different currency, the conversion being effected at the rate of exchange (calculated to not less than three significant figures) current on the date of the resolution or on such other date as may be specified therein; and
- where its share capital is expressed in a particular currency or former currency, denominate or redenominate it, whether by expressing its amount in units or subdivisions of that currency or former currency, or otherwise.

5.5 ***Issue of Shares***

Subject to the provisions of the Articles, the unissued shares shall be at the disposal of the Board which may allot, grant options over (including, without limitation, by way of granting phantom stock, stock appreciation rights or other similar rights) or otherwise dispose of them to such persons on such terms and conditions and at such times as the Board determines but so that the amount payable on application on each share shall be fixed by the Board.

5.6 ***Pre-emption rights***

There are no provisions of Guernsey law which confer rights of pre-emption in respect of the allotment of shares. However, the Articles provide that the Company, when proposing to allot shares of any class or to sell any treasury shares:

(a) shall not allot (or sell, in the case of treasury shares) any of them on any terms to a person unless it has made an offer to each existing holder of shares of that class on the same or more favourable terms a proportion of those shares which is equal to the proportion in value held by the holder of the relevant class of shares then in issue; and

(b) shall not allot (or sell, in the case of treasury shares) any of those shares to a person unless the period during which such offer may be accepted by the relevant existing holders of shares of that class has expired or the Company has received a notice of the acceptance or refusal of every offer so made from such holders.

These pre-emption rights do not apply to an allotment (or sale, in the case of treasury shares) of shares if such shares are or are to be wholly or partly paid otherwise than in cash nor do they apply to any shares allotted or issued (or sold, in the case of treasury shares) pursuant to the terms of an employee share scheme. In addition, these pre-emption rights may be excluded and disapplied or modified by extraordinary resolution of the shareholders either generally or in respect of a specific allotment (or sale, in the case of treasury shares).

5.7 ***Rights attaching to the Shares***

The rights attaching to the Shares are as follows:

5.7.1 *Voting rights*

Subject to any special rights or restrictions which may be attached to any class of share, on a show of hands, every holder of Shares who is present in person shall have one vote and, on a poll, every holder present in person or by a proxy shall have one vote for every Share held.

5.7.2 *Dividends*

Subject to the Companies Law and as set out in the Articles, the Company may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Board. The Board may at any time declare and pay such interim dividends as appears to be justified by the position of the Company.

No dividend shall bear interest against the Company. All unclaimed dividends may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company will not be constituted a trustee in respect thereof. Any dividend unclaimed after a period of 12 years after having been declared or become due for payment will be forfeited and will revert to the Company.

The Board may from time to time set aside and carry to reserve such sums as they think proper which, at the discretion of the Board, shall be applicable for any purpose to which such sums may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Board may divide the reserve into such special funds as it thinks fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Board may also without placing the same to reserve carry forward any sums. In carrying sums to reserve and in applying the same, the Board shall comply with the provisions of the Companies Law.

5.7.3 *Redemption*

The Shares do not carry a right to redemption by Shareholders.

5.8 **Form and transfer of Shares**

5.8.1 Subject to Articles (and the restrictions on transfer contained therein), a Shareholder may transfer all or any of his Shares in any manner which is permitted by the Companies Laws or in any other manner which is from time to time approved by the Board.

5.8.2 A transfer of a certificated Share shall be in the usual common form approved by the Board. An instrument of transfer of a certificated Share shall be signed by or on behalf of the transferor and, unless the Share is fully paid, by or on behalf of the transferee.

5.8.3 The Articles provide that the Board has power to implement such arrangements as it may, in its absolute discretion, think fit in order for any class of Shares to be admitted to settlement by means of the CREST UK system. If the Board implements any such arrangements, provision of the Articles will apply or have effect to the extent that it is in any respect inconsistent with:

(a) the holding of Shares of the relevant class in uncertificated form;

(b) the transfer of title to Shares or of the relevant class by means of the CREST UK system; or

(c) the CREST Guernsey Requirements.

5.8.4 Where any class of Shares is, for the time being, admitted to settlement by means of the CREST UK system such securities may be issued in uncertificated form in accordance with and subject to the CREST UK Guernsey Regulations. Unless the Board otherwise determines, Shares held by the same holder or joint holders in certificated form and uncertificated form will be treated as separate holdings. Shares may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject to the CREST Guernsey Regulations. Title to such of the Shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the CREST UK system.

5.8.5 The Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any Share in certificated form or uncertificated form subject to the Articles which is not fully paid or on which the Company has a lien provided that, in the case of a Share, this would not prevent dealings in the Shares of that class from taking place on an open and proper basis on London Stock Exchange.

5.8.6 In addition, the Board may decline to transfer, convert or register a transfer of any Share in certificated form or (to the extent permitted by the CREST Guernsey Requirements) uncertificated form: (a) if it is in respect of more than one class of Shares, (b) if it is in favour of more than four joint transferees, or (c) if applicable, if it is delivered for registration to the registered office of the Company or such other place as the Board may decide, not accompanied by the certificate for the Shares to which it relates and such other evidence of title as the Board may reasonably require.

5.8.7 The Board may decline to register a transfer of an uncertificated Share which is traded through the CREST UK system in accordance with the CREST rules where, in the case of a transfer to joint holders, the number of joint holders to whom uncertificated Shares is to be transferred exceeds four.

5.9 ***Directors***

5.9.1 Unless otherwise determined by the Board, the number of Directors shall be not fewer than two nor more than 15.

5.9.2 A Director need not be a Shareholder. At each annual general meeting of the Company (1) any Director who was elected or last re-elected a Director at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation; and (2) such further Directors (if any) shall retire by rotation as would bring the number retiring by rotation up to one-third of the number of Directors in office at the date of the notice of the meeting (or, if their number is not a multiple of three, the number nearest to but not greater than one-third).

5.9.3 The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine provided that the aggregate amount paid to all Directors by way of fees shall not exceed €2.5 million in any financial year, or such higher amount as may be determined from time to time by ordinary resolution of the Company. Any fees payable pursuant to the Articles shall be distinct from and shall not include any salary, remuneration for any executive office or other amounts payable to a Director pursuant to any other provisions of the Articles and shall accrue from day to day. The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors, including expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company. If by arrangement with the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director, he may be paid such reasonable additional remuneration as the Board may determine.

5.9.4 The Directors shall not be subject to a mandatory retirement age.

5.10 ***Directors' interests***

5.10.1 A Director who to his knowledge is in any way directly or indirectly interested in a contract or arrangement or proposed contract or arrangement with the Company shall disclose the nature and monetary value or, if such value is not quantifiable, the *extent* of his interest at a meeting of the Board.

5.10.2 A Director may not vote (or be counted in the quorum) in respect of any resolution of the Directors or committee of the Directors concerning a contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him) is, to his knowledge, a material interest (otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company). This is subject to certain exceptions including (i) where a contract, arrangement, transaction or proposal concerns the purchase and/or maintenance or any insurance policy for the benefit of the Directors or for the benefit of persons including Directors or (ii) where a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any person at the request of or for the benefit of the Company or any of its subsidiary undertakings.

5.10.3 Any Director may act by himself or his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

5.10.4 A Director may continue to be or become a director, managing director, manager or other officer or shareholder of any company in which the Company may be interested or which is promoted by the Company and no such Director shall be accountable to the Company for any remuneration or other benefits received thereby.

5.11 ***Borrowing powers***

The Directors may exercise all the powers of the Company to borrow money and to give guarantees, hypothecate, mortgage, charge or pledge the assets, property and undertaking (present or future) and uncalled capital of the Company or any part thereof and (subject to the provisions of the

Companies Law) to issue debentures, loan stock and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Articles do not include limits on the Company's power to borrow.

5.12 ***Report and accounts***

Copies of the annual audited financial statements will be sent to each Shareholder within 12 months after the end of the financial year to which they relate.

It is intended that the annual report and accounts of the Company will be prepared for the 12 month (or such shorter) period ending on 31 December in each year.

5.13 ***Annual general meeting***

The annual general meeting of the Company will be held in Guernsey or such other place as may be determined by the Board of Directors. Not less than 14 days' notice specifying the time and place of the general meeting in each year and, in the case of special business, the general nature of the business to be transacted will be sent to Shareholders by post or, where permitted by the Articles and the Companies Law, e-mail. Other general meetings may be convened from time to time by the Directors by sending notice to Shareholders by post or, where permitted by the Articles and the Companies Law, e-mail or by Shareholders requisitioning such meetings in accordance with Guernsey law, and may be held in Guernsey or elsewhere.

5.14 ***Winding up***

On a winding up, the surplus assets remaining after payment of all creditors, including the repayment of bank borrowings shall be divided among shareholders *pro rata*, according to the rights attached to the shares.

5.15 ***Untraceable shareholders***

The Company shall be entitled to sell at the best price reasonably obtainable the shares of a Shareholder or any shares to which a person is entitled by transmission on death or bankruptcy if and provided that:

5.15.1 for a period of 12 years no cheque or warrant sent by the Company through the post in a pre-paid letter addressed to the shareholder or to the person so entitled to the share at his address in the Register of Members or otherwise the last known address given by the shareholder or the person entitled by transmission to which cheques and warrants are to be sent has been cashed and no communication has been received by the Company from the shareholder or the person so entitled provided that in any such period of 12 years the Company has paid at least three dividends whether interim or final;

5.15.2 the Company has at the expiration of the said period of 12 years by advertisement in a newspaper circulating in the area in which the address referred to in sub-section 5.15.1 above is located given notice of its intention to sell such shares;

5.15.3 the Company has not during the period of three months after the date of the advertisement and prior to the exercise of the power of sale received any communication from the shareholder or person so entitled; and

5.15.4 if any part of the share capital of the Company is quoted on any stock exchange the Company has given notice in writing to the quotations department of such stock exchange of its intention to sell such shares.

5.16 ***Disclosure of interests in Shares and failure to disclose interests in Shares***

Following Admission, the provisions of Chapter 5 of the Disclosure and Transparency Rules will apply to the Company but on the basis that the Company is a "non-UK issuer" (as defined in those rules). This will require persons to notify the Company of the percentage of voting rights in the Company he holds or is deemed to hold if the percentage of those voting rights reaches, exceeds or falls below 5 per cent., 10 per cent., 15 per cent., 20 per cent., 25 per cent., 30 per cent., 50 per cent. and 75 per cent.. However, the Articles incorporate the provisions of Chapter 5 of the Disclosure and Transparency Rules as if the Company were a "UK issuer" (as defined in those rules) (the "Disclosure and Transparency Provisions").

The Disclosure and Transparency Provisions detail the circumstances in which a person may be obliged to notify the Company within two business days that he has an interest in voting rights in respect of the Shares (a "notifiable interest"). An obligation to notify the Company arises when the percentage of voting rights which a person holds reaches, exceeds or falls below 3 per cent. of the voting rights attaching to any class of the shares or moves through any whole percentage point above 3 per cent..

In addition, the Company may, by issuing a written notice (a "Disclosure Notice"), require a Shareholder to disclose the nature of his interest in a relevant shareholding within 14 days of receipt of the Disclosure Notice.

Where a Shareholder fails to comply with the Disclosure and Transparency Provisions or to make an appropriate disclosure in response to a Disclosure Notice within the period specified, the Directors may suspend voting and/or dividend rights for a period of up to one year from the date such failure to disclose came to the Board's attention. Pursuant to the Articles, a Default Shareholder is not entitled to attend or vote at general meetings of the Company in respect of any Shares held by him in relation to which he or any other person appears to be interested. Such disentitlement will apply until the earlier of:

(a) the date on which the information required is supplied to the Company; or

(b) the date on which the Shares in question are transferred or sold.

The full text of the Disclosure and Transparency Provisions will be made available to any Shareholder free of charge on application to the secretary of the Company.

5.17 ***Right to appoint Directors***

For so long as:

5.17.1 Euro Plaza and its associates (for the avoidance of doubt excluding Molteno and its associates) control directly or indirectly at least 30 per cent. of the issued share capital of the Company, Euro Plaza will have the right to nominate two non-executive Directors and, for so long as Euro Plaza and its associates (for the avoidance of doubt excluding Molteno and its associates) control directly or indirectly at least 15 per cent. but less than 30 per cent. of the issued share capital of the Company it will have the right to appoint one non-executive Director.

5.17.2 Molteno and its associates (for the avoidance of doubt excluding Euro Plaza and its associates) control directly or indirectly at least 15 per cent. of the issued share capital of the Company, Molteno will have the right to nominate one non-executive Director.

6. Directors' and senior managers' interests in Shares

6.1 The interests (all of which are beneficial) of the Directors and senior managers of the Company and, so far is known to the Directors or senior managers (as the case may be) or could with reasonable diligence be ascertained by them, persons connected with them in the share capital of the Company as at the date of this document and on Admission, are or are expected to be as follows:

	As at the date of this document		Following Admission	
Director	**Number of Shares**	**Percentage of Issued Share Capital(3)**	**Number of Shares**	**Percentage of Issued Share Capital**
Eli Papouchado(1)	18,679,141	44.67%	18,679,141	44.67%
Boris Ivesha(2)	8,285,024	19.81%	8,285,024	19.81%
Chen Moravsky	Nil	n/a	Nil	n/a
Elisha Flax	2,500	0.00%	2,500	0.00%
Kevin McAuliffe	Nil	n/a	Nil	n/a
Nigel Jones	Nil	n/a	Nil	n/a

Notes:

(1) Eli Papouchado is deemed to be interested in the Shares held by Euro Plaza (see section 7.1 of this Part VII for further details) as well as the 22,417 Shares held directly by Red Sea Club Ltd and the 421,424 Shares held directly by PPHL Holdings B.V..

(2) Boris Ivesha is deemed to be interested in the Shares held by Molteno (see section 7.1 of this Part VII for further details) as well as the 421,424 Shares held directly by PPHL Holdings B.V..

(3) Excluding treasury Shares.

Senior manager	As at the date of this document		Following Admission	
	Number of Shares	Percentage of Issued Share Capital[(1)]	Number of Shares	Percentage of Issued Share Capital[(1)]
Kurt Kuen	15,000	0.00%	15,000	0.00%
Guy Ivesha	Nil	n/a	Nil	n/a
Inbar Zilberman	Nil	n/a	Nil	n/a
Edwin Wijgergangs	Nil	n/a	Nil	n/a
Robert Henke	Nil	n/a	Nil	n/a
Jaklien van Sterkenburg	Nil	n/a	Nil	n/a
Abraham Thomas	Nil	n/a	Nil	n/a
Frans Wientjes	Nil	n/a	Nil	n/a

Note:

(1) Excluding treasury Shares.

6.2 In addition, the following Options have been granted to the Directors and senior managers of the Company pursuant to the Share Option Plan:

Director	Date of grant	Type of Option[(1)]	Number of Shares subject to the Options	Exercise price	Exercise period
Eli Papouchado	Nil	n/a	Nil	n/a	n/a
Boris Ivesha	Nil	n/a	Nil	n/a	n/a
Chen Moravsky	27.9.07	A	92,727	100p	27.9.07-27.9.17
	10.6.09	A	2,273	100p	27.9.09-27.9.19

Note:

(1) See section 4 of this Part VII headed "The Park Plaza Hotels Limited Executive Share Option Plan" for further details as to the rights attaching to the Options.

Senior manager	Date of grant	Type of Option[(1)]	Number of Shares subject to the Options	Exercise price	Exercise period
Kurt Kuen	27.9.07	A	31,000	100p	27.9.07-27.9.17
Edwin Wijgergangs	27.9.07	A	6,000	100p	27.9.07-27.9.17
Abraham Thomas	27.9.07	A	10,650	100p	27.9.07-27.9.17
Robert Henke	27.9.07	B	6,500	100p	27.9.07-27.9.17
Jaklien Van Sterkenburg	27.9.07	A	6,000	100p	27.9.07-27.9.17

Note:

(1) See section 4 of this Part VII headed "The Park Plaza Hotels Limited Executive Share Option Plan" for further details as to the rights attaching to the Options.

6.3 Save as disclosed in sections 6.1 and 6.2 of this Part VII, none of the Directors or the senior managers of the Company has any interest in the share capital or loan capital of the Company or any member of the Group nor does any person connected with the Directors or the senior managers of the Company have any such interest.

6.4 Save for the interest of Eli Papouchado in the acquisition of Park Plaza Nottingham and Park Plaza Leeds (as further described in section 13.2 of this Part VII headed "Related party transactions — The acquisition of interests in Park Plaza Nottingham and Park Plaza Leeds" relating to interests in Park Plaza Nottingham and Park Plaza Leeds), the indemnity given by the Company to Southern (as further described in section 13.3 of this Part VII headed "Related party transactions — Indemnity to Southern") and in the contracts which have been entered into by the Company with Gear (as further described in section 13.4 of this Part VII headed "Related party transactions — Gear"), no Director or senior manager of the Company has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

6.5 The Directors, in addition to their directorships in the Company, and senior managers of the Company currently hold, and have during the five years preceding the date of this document held, the following directorships and partnerships:

Name	Current directorships/partnerships	Previous directorships/partnerships
Directors		
Eli Papouchado	A.A. Papo Trust Company Ltd. Red Sea Hotels Ltd. Red Sea Club Ltd. Lavia Management Services (1982) Ltd. A.P.Y. Investments and Real Estate Ltd.	Red Sea Hotels Construction and Land (1994) Ltd Taravilla Ltd. Alora Ltd. Luxury Hotels N.V. Red Sea Investments (2001) Ltd. Red Sea Hotels International (1993) Ltd. Pamla Real Estate & Investments Ltd. Petrotrade Ltd. Almog Yam Suf Building (1996) Ltd. Almog Yam Suf Management and Projects Supervision Ltd. Eli Papouchado Ltd.
Boris Ivesha	Arenaturist d.d. The Commercial Company of the Israel Hotel Association Ltd. Av-Neta Limited Even Gad Investments Limited	—
Chen Moravsky	1 Westminster Bridge Plaza Management Company Limited B.H.A. Schiffeleers B.V. NSI 13 Holding B.V. W2005/Dvadeset Osam d.o.o. W2005/Dvadeset Devet d.o.o. Arenaturist Turisticka Naselja d.o.o. Arenaturist Zlatne Stijne d.o.o. Arenaturist Hoteli ugostiteljstvo I turisticka agencija d.o.o. Arenaturist d.d.	—
Elisha Flax	—	Zenrgy Ltd Delek Global Real Estate PLC
Kevin McAuliffe	Alpen Feeder Limited Alpen Fund Limited Alpen Investment Management (Guernsey) Limited Ashmill Limited Aspirations Limited AUB (Baker Street) Development Limited BSG Capital Markets PCC Limited BSG Mediterranean Limited BSG Resources Limited BUPA Guernsey No. 2 Limited Carey Administration Limited Carey AG Carey Commercial Holdings Limited Carey Group (Cyprus) Limited Carey Group Private Client Holdings S.à r.l. Carey Group Services UK Limited Carey Holdings Limited Carey Nova S.A. Carey S.A. Carey SAM Cavendish (Inchinnan) Limited Cavendish No. 1 Limited CKLB International Management Limited Contracta PCC Limited Famdation Investment Management Limited Floreal Tower Ltd Hardwick (GP) Limited Hardwick Investment Company Limited	Carey Trustees Limited BSG Energy Upstream Limited Charton Investments S.A. Empos Holdings Inc. Guernsey Welfare Services Limited TMI Limited C.L. Nominees Limited C.L. Secretaries Limited C.L. Directors Limited BeCCo Biofuels Limited Beechmont Enterprises Inc BF Global Limited Bridgeote Holdings Limited Broadoaks Estate Property Investments Limited Broadoaksestate Data Centre Services Limited Scholer Nominees Limited SI Capital Limited Bear Up Limited BSG Energy Downstream Limited BSG Energy Holding Limited BUPA Guernsey LLP BUPA Guernsey No. 1 Limited AUB (Baker Street) Limited Summit Finance Limited PegasusBridge Carried Interest GP Limited Carey Commercial Limited Apex Holdings (UK) Limited

Name	Current directorships/partnerships	Previous directorships/partnerships
	Iceberg Consulting Limited Industrial Development & Investment Limited Landericus Fund Management (Guernsey) Limited Lynch Associates (Jersey) Limited PegasusBridge Fund Management Limited Propinvest 5 Limited Simba Investments Limited Solid Rock General Partner Limited Solid Rock Management Limited The Alpen Redemptions Limited UK Care No 1 Limited	Asian Palm Oil Company Limited BF Global (Dubai) Limited BF Holdings Limited BSG Investments Limited Carey Group Private Client Holdings Limited Carey Pensions and Benefits Limited Carey Pensions Administration Limited DB Petroleum Upstream Limited Finistere Life Assurance Company Limited GJR German Private Equity Partners Limited Groudle Glen Limited Litwin Phosphate Limited Pegasus Defence & Securities Limited (IVL) Raptor II Limited Rasmala Investments Guernsey Limited Rasmala Investments Guernsey Nominees Limited Vouloir Limited Colonnade Limited Cricket Limited Eastmount Capital Holdings Limited Eastmount Capital Limited Eastmount Capital Market Inc Eastmount Strategic Holdings Limited Five Mounts Dock Limited Five Mounts Properties Holding Limited Hardwick (Glasgow) Property Company Limited International Power Levanto (Guernsey) Limited M.G. Financial Investment Services Limited Rhine Trustees Limited Sage Capital Global Limited Sage Capital Markets Limited Sage Enterprises Limited Sage Real Estate Limited Sage Venture Capital Limited SG Holdings Limited TSC Capital Limited Vallon Trading Limited
Nigel Jones	UK Care No.1 Limited BUPA LeaseCo Holdings Ltd Threadgreen Industrial Ltd Investec Big Ben Property Fund Ltd Matrix Property Fund Management (Guernsey) Ltd BANA Ltd Flock Investments Ltd Le Friquet Investments Ltd Goldridge Estate Agent Ltd Moorside Management Ltd BL Management Guernsey 2011 Ltd	ComProp Limited Commercial Properties Ltd. ComProp Jersey Limited ComProp Guernsey Limited ComProp Investments Limited Divad Limited Longue Hougue Properties Limited Oscar Holdings Limited Pitronnerie Properties Limited Plaisance Holdings Limited St Clair Products & Holdings Limited Commerce Holdings Limited Property Services Limited Admiral Court One Limited Clark's Holdings Limited Cornwall Property Limited F Mallet & Sons Limited Woodpecker Holdings Limited BUPA Leaseco Holdings Jones Watts Limited Jones & Partners Limited

Name	Current directorships/partnerships	Previous directorships/partnerships
Senior managers		
Kurt Kuen	—	—
Guy Ivesha	—	—
Inbar Zilberman	—	—
Edwin Wijgergangs	—	—
Robert Henke	—	—
Jaklien van Sterkenburg	—	—
Abraham Thomas	Arenaturist d.d.	—
Frans Wientjes	—	Eden Hotel Management B.V.

6.6 Within the period of five years preceding the date of this document none of the Directors or senior managers of the Company:

6.6.1 has any convictions in relation to fraudulent offences;

6.6.2 (acting in his capacity as such) has been associated with any bankruptcy, receivership or liquidation;

6.6.3 has been the subject of any official public incrimination and/or sanctions of such person by any statutory or regulatory authority (including a designated professional body) and has never been disqualified by a court from acting as a member of the administrative management or supervisory body of an issuer or from acting in the management or conduct of the affairs of any issuer.

6.7 There are no outstanding loans granted by any member of the Group to any of the Directors or senior managers of the Company nor has any guarantee been provided by any member of the Group for their benefit.

6.8 Save as disclosed in section 6.9 of this Part VII, none of the Directors or senior managers of the Company has any potential conflicts of interest between their duties to the Company and their private interests or other duties.

6.9 Eli Papouchado, the Company's chairman, is the ultimate controlling shareholder of the Red Sea Group acting in his capacity as trustee of an endowment established under the laws of the Israel for certain members of his family. Mr Papouchado also sits on the board of certain Red Sea Group companies (for further details see section 6.5 of this Part VII). The Red Sea Group, amongst other things, is involved in residential and hotel construction and has in the past been involved in constructing hotels for the Group. In particular, Gear (a member of the Red Sea Group) constructed and fitted out the Group's flagship hotel Park Plaza Westminster Bridge London. Details of the contract between Gear and the Group in relation to this hotel and certain amendments thereto are set out in section 13.4 of this Part VII headed "Related party transactions — Gear". Mr Papouchado's role in the Red Sea Group gives rise to a potential conflict of interest with his duties to the Company. However, the Relationship Agreement entered into between the Company and Euro Plaza (further details of which are set out in section 13.1 of this Part VII headed "Related party transactions — The Relationship Agreements") provides that all arrangements between Euro Plaza and its associates on the one hand and the Group on the other hand shall be on terms which are arm's length and on a normal commercial basis.

7. Substantial Share interests

7.1 In addition to the interests disclosed in sections 6.1 and 6.2 of this Part VII, the Company is aware of the following persons who at the date of this document have, or who are expected on Admission to have, an interest in 3 per cent. or more of the issued share capital of the Company:

	As at the date of this document		Following Admission[(1)]	
Name	**Number of Shares**	**Percentage of issued share capital**	**Number of Shares**	**Percentage of issued share capital**
Red Sea Group[(1)(2)]	18,679,141	44.67%	18,679,141	44.67%
Molteno[(3)(4)]	8,285,024	19.81%	8,285,024	19.81%
Aroundtown Property Holdings Limited	3,762,000	9.0%	3,762,000	9.0%

Notes:

(1) Eli Papouchado, the Company's Chairman acting in his capacity as trustee of an endowment established under the laws of Israel for the benefit of his sons Mr Yoav Papouchado and Mr Avner Papouchado (and, after their demise, their respective children), and of himself is deemed to be interested in Shares held by Euro Plaza, as is A.P.Y. Investments & Real Estate Ltd, Red Sea Hotels Ltd., Red Sea Club Ltd and Southern Hotels Holding & Investment Israel B.V., such being members of the Red Sea Group as well as the 421,424 Shares held directly by PPHL Holdings B.V. and the 22,417 Shares held by Red Sea Club Limited.

(2) These Shares are pledged to secure guarantees given by Euro Plaza of certain banking facilities provided to another company in the Red Sea Group. The maximum total amount which may be called for under the guarantee is £11 million and the 22,417 Shares held by Red Sea Club Limited.

(3) Boris Ivesha, the Company's President and CEO, is deemed to be interested in the Shares owned by Molteno. This includes the 421,424 Shares held directly by PPHL Holdings B.V..

(4) The Princeton Trust is also interested in these Shares as a result of its controlling interest in Molteno.

7.2 Save as disclosed in sections 6.1, 6.2 and 7.1 of this Part VII, the Company is not aware of any person who will, immediately following Admission, be interested directly or indirectly in 3 per cent. or more of the issued share capital of the Company.

7.3 As disclosed above, as at the date of this document and immediately following Admission, the Red Sea Group and Molteno will own 44.67 per cent. and 19.81 per cent. respectively of the issued share capital of the Company. Furthermore, the Trustee of the Princeton Trust (the ultimate owner of Molteno) has agreed with Euro Plaza that for so long as the combined direct and indirect interest of the Red Sea Group and the Princeton Trust in the Company are not less than 38 per cent. of the issued ordinary share capital and the Red Sea Group's interest in the Company is at least 26.5 per cent., the parties will vote in a concerted manner on any resolution put to a general meeting of Shareholders. Accordingly, the Red Sea Group and the Princeton Trust together control the Company by virtue of their ability to pass an ordinary resolution of Shareholders. In order to ensure that this control is not abused, the Company has entered into the Relationship Agreements with each of Euro Plaza and Molteno. Under these agreements each of Euro Plaza and Molteno has agreed that all arrangements between it and the Group will be entered into on arm's length terms and that the Board will operate independently of Euro Plaza and Molteno and all decision taken by the Board will be made for the benefit of Shareholders as a whole. Further details of the Relationship Agreements are set out in section 13.1 of this Part VII headed "Related party transactions — The Relationship Agreements".

7.4 Save as disclosed in section 7.3 of this Part VII, the Company is not aware of any person who exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company.

7.5 The persons including the Directors, referred to in sections 6.1 and 7.1 of this Part VII, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other Shareholder.

7.6 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

8. Directors' service agreements and letters of appointment and remuneration

8.1 Chief Executive Officer

Boris Ivesha entered into a service agreement with the Company dated 26 June 2007, as amended by a deed of variation entered into in 2007 and as further amended by a deed of variation dated

22 June 2011 (effective on Admission), pursuant to which he was appointed Chief Executive Officer of the Company. The service agreement is terminable by the Company on 12 months' notice or by Boris Ivesha on six months' notice. During any period of notice the Company has the express contractual right to place Boris Ivesha on garden leave.

The service agreement provides for an annual salary of £300,000 and a discretionary, performance-related, bonus capped at 100 per cent. of annual salary. Other benefits provided under the service agreement are pension contributions at a rate of £100,000 per annum (less any deductions for tax or national insurance contributions), private medical insurance, long term disability insurance, death in service benefits and a provision for use of a company car. Boris Ivesha is entitled to 30 working days' paid holiday per annum.

The Company may make a payment in lieu of all or part of Boris Ivesha's notice period. The amount of the payment in lieu shall consist of the basic salary and the value of the benefits (excluding bonus) for the relevant period of notice.

The service agreement contains post-termination restrictive covenants which remain in force for a period of six or 12 months following the termination of employment depending on the nature of the restriction. For a period of six months after termination of employment, Boris Ivesha is prohibited from being engaged in a competing undertaking, from dealing with the Group's clients/customers, from interfering with the supply of goods and services from the Group's suppliers and from soliciting goods from the Group's suppliers. For a period of 12 months following the termination of employment, Boris Ivesha is prohibited from soliciting business from the Group's clients/customers and from soliciting senior employees to cease working for the Group. Save in relation to notice pay and benefits, no further sums would be due to Boris Ivesha pursuant to his service agreement upon termination.

8.2 **Chief Financial Officer**

Chen Moravsky entered into a service agreement with Euro Sea (a Dutch registered subsidiary of the Company) dated 26 June 2007, as amended by a letter dated 1 November 2008 and as further amended by a letter dated 22 June 2011 (effective on Admission), pursuant to which he was appointed Chief Financial Officer of the Group with effect from 1 July 2007. The service agreement is governed by Dutch law. The service agreement is terminable by Euro Sea on 12 months' notice and by Chen Moravsky on six months' notice. During any period of notice the Company has the express right to place Chen Moravsky on garden leave.

The service agreement provides for an annual salary of €275,000 and a performance-related bonus capped at 100 per cent. of annual salary. Save where Chen Moravsky resigns or is dismissed for "dringende reden" (urgent cause), if his employment is terminated mid-way through a bonus year, he will retain an entitlement to bonus (or part bonus) for that year. Other benefits provided under the service agreement are employer pension contributions at a rate of 15 per cent. of annual salary, and private medical insurance. Chen Moravsky is entitled to additional benefits commensurate with his position in the Company, such as the use of a car and payment of schooling costs and certain flights. Chen Moravsky is also entitled to 25 days' paid holiday per annum.

The service agreement contains post-termination restrictive covenants which remain in force for a period of 12 months following the termination of employment. For a period of 12 months after termination of employment, Chen Moravsky is prohibited from soliciting or being engaged in a competing undertaking, from dealing with the Group's clients/customers, and from soliciting senior employees to cease working for the Group. Save in relation to notice pay and benefits (including, potentially, bonus), no further sums would be due to Chen Moravsky pursuant to his service agreement upon termination, although Dutch law may entitle him to additional damages or severance in respect of the termination of employment.

8.3 **Non-Executive Chairman**

Eli Papouchado was appointed as Non-Executive Chairman of the Company pursuant to a letter of appointment dated 26 June 2007, as amended by a letter dated 22 June 2011 (effective on Admission). The appointment took effect on 17 July 2007 and is terminable by either party on not less than three months' notice. Eli Papouchado is entitled to an annual fee of £100,000 in respect of his services plus an additional cumulative fee of £5,000 for serving on a committee of the Board. Eli Papouchado is also entitled to use an apartment at the Plaza on the River—Club & Residence when he is in the UK performing his duties. Save in relation to notice pay and benefits, no further sums would be due to Eli Papouchado pursuant to his letter of appointment upon termination.

8.4 **Non-Executive Directors**

Elisha Flax was appointed as a Non-Executive Director pursuant to a letter of appointment dated 26 June 2007, as amended by letters dated 11 July 2007 and 22 June 2011 (effective on Admission). The appointment took effect on 17 July 2007 and is terminable by either party on not less than three months' notice. Elisha Flax is entitled to an annual fee of £25,000 plus an additional cumulative fee of £5,000 for serving on a committee of the Board. Save in relation to notice pay and benefits, no further sums would be due to Elisha Flax pursuant to his letter of appointment upon termination.

Kevin McAuliffe was appointed as a Non-Executive Director pursuant to a letter of appointment dated 26 June 2007, as amended by letters dated 11 July 2007 and 22 June 2011 (effective on Admission). The appointment is terminable by either party on not less than three months' notice. Kevin McAuliffe is entitled to an annual fee of £25,000 plus an additional cumulative fee of £5,000 for serving on a committee of the Board. Save in relation to notice pay and benefits, no further sums would be due to Kevin McAuliffe pursuant to his letter of appointment upon termination. As a director of Aspirations Limited (a Company which is jointly owned by the Group and Aldersgate Investments Limited), Kevin McAuliffe is entitled to an annual fee of £5,000 per annum.

Nigel Jones was appointed as a Non-Executive Director pursuant to a letter of appointment dated 26 June 2007, as amended by letters dated 11 July 2007 and 22 June 2011 (effective on Admission). The appointment is terminable by either party on not less than three months' notice. Nigel Jones is entitled to an annual fee of £25,000 plus an additional cumulative fee of £5,000 for serving on a committee of the Board. Save in relation to notice pay and benefits, no further sums would be due to Nigel Jones pursuant to his letter of appointment upon termination. As a director of Aspirations Limited (a Company which is jointly owned by the Group and Aldersgate Investments Limited), Nigel Jones is entitled to an annual fee of £5,000 per annum.

8.5 **Remuneration**

In addition to the options granted under the Share Option Plan, the aggregate remuneration paid (including any contingent or deferred compensation and benefits in kind) to the Directors by members of the Group in respect of the year ended 31 December 2010 was as follows:

Name	Salary/fee	Bonus	Benefits	Pension	Total
Eli Papouchado	€117,000	—	—	—	€117,000
Boris Ivesha	€395,000	—	€74,000	€117,000	€586,000
Chen Moravsky	€275,000	—	€72,000	€33,000	€380,000
Kevin McAuliffe	€46,000	—	—	—	€46,000
Nigel Jones	€41,000	—	—	—	€41,000
Elisha Flax	€47,000	—	—	—	€47,000

In addition to the options granted under the Share Option Plan, the aggregate remuneration paid (including any contingent or deferred compensation and benefits in kind) to the senior managers by the members of the Group in respect of the year ended 31 December 2010 was approximately €810,000. The total amount set aside or accrued by members of the Group to provide pensions, retirement or similar benefits to the senior managers was €95,000.

8.6 Save as set out in sections 8.1 to 8.4 of this Part VII, there are no service agreements in existence between any of the Directors and the Company or any of its subsidiaries which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.

8.7 There is no arrangement under which any Director has waived or agreed to waive future emoluments.

8.8 Save as set out in the Relationship Agreements, there are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director was selected as a member of the Board or as a member of senior management.

9. The Company's subsidiaries, jointly controlled entities and associate

9.1 The Company is the holding company of the Group the principal activities of which are the ownership, operation and franchising of hotels.

9.2 The Company has the following significant subsidiaries:

Name	Country of registration or incorporation	Percentage of issued share capital held by the Company and (if different) proportion of voting power held	Purpose
Park Plaza Coöperatief U.A.	The Netherlands	100	Holding co-operative
Euro Sea Hotels N.V.	The Netherlands	100	Holding company
Golden Wall Investment Limited	British Virgin Islands	100	Holding company
Victory Enterprises I B.V.	The Netherlands	100	Holding company
The Mandarin Hotel B.V.	The Netherlands	100	Hotel operating company
ParkVondel Hotel Holding B.V.	The Netherlands	100	Holding company
ParkVondel Hotel Real Estate B.V.	The Netherlands	100	Hotel owning company
ParkVondel Hotel Management B.V.	The Netherlands	100	Hotel operating company
Park Plaza Hotels Europe (Germany) B.V.	The Netherlands	100	Holding company
Park Plaza Hotels Europe B.V.	The Netherlands	100	Hotel management company
Sugarhill Investments B.V.	The Netherlands	100	Holding company
Suf Holding B.V.	The Netherlands	100	Holding company
Park Plaza Hotels Europe Holdings B.V.	The Netherlands	100	Holding company
Riverbank Hotel Holding B.V.	The Netherlands	100	Holding company
Grandis Netherlands Holding B.V.	The Netherlands	100	Holding company
Victoria London Hotel Holding B.V.	The Netherlands	100	Holding company
Victoria Pub Holding B.V.	The Netherlands	100	Holding company
Westminster Bridge Holding B.V.	The Netherlands	100	Holding company
Club Euro Hotels B.V.	The Netherlands	100	Holding company
Club A40 Hotel Holding B.V.	The Netherlands	100	Holding company
Riverbank Hotel Operator Limited	England and Wales	100	Hotel operating company
Sherlock Holmes Park Plaza Limited	England and Wales	100	Hotel operating company
Victoria Park Plaza Operator Limited	England and Wales	100	Hotel operating company
Park Plaza Germany Holdings GmbH	Germany	100	Holding company
Park Plaza Hotels (Germany) Services GmbH	Germany	100	Hotel management company
Park Plaza Berlin Hotel betriebsgesellschaft mbH	Germany	100	Hotel operating company
Park Plaza Hotels Berlin Wallstrasse GmbH	Germany	100	Hotel operating company
art'otel berlin mitte/Park Plaza Betriebsgesellschaft mbH	Germany	100	Hotel operating company
Park Plaza Betriebsgesellschaft mbH	Germany	100	Hotel operating company
art'otel berlin city center west GmbH	Germany	100	Hotel operating company
art'otel Köln Betriebsgesellschaft mbH	Germany	100	Hotel operating company
Park Plaza Nürnberg GmbH	Germany	100	Hotel operating company
SW Szàllodaüzemelteto Kft	Hungary	100	Hotel operating company
Park Plaza Hotels (UK) Services Limited	England and Wales	100	Hotel management company
Sandbach Investments Limited	British Virgin Islands	100	Holding company
Marlbray Limited	England and Wales	100	Hotel owning company
1 Westminster Bridge Plaza Management Company Limited(1)	England and Wales	100	Hotel operating company
Park Plaza Hospitality Services (UK) Limited	England and Wales	100	Hotel operating company
Laguna Estates (Leeds) Limited	England and Wales	100	Holding company
Apex Holdings (UK) Limited	British Virgin Islands	100	Holding company
Hotel Leeds Holding B.V.	The Netherlands	100	Holding company
Hotel Nottingham B.V.	The Netherlands	100	Holding company
Nottingham Park Plaza Operator Ltd.	England and Wales	100	Hotel operating company
Westminster Bridge Hotel Operator Limited	England and Wales	100	Hotel operating company
Katmandu Limited	British Virgin Islands	100	Holding company
Leno Finance Limited	Guernsey	100	Holding company
art'otel dresden Park Plaza Betriebsgesellschaft mbH	Germany	100	Holding operation
Waterford Investments Limited	Guernsey	100	Holding company
Leno Investments Limited	Guernsey	100	Holding company

Note:

(1) The Group owns 100 per cent. of the A Shares in this company, being the only voting shares which are in existence until the occurrence of certain events, but in any event no later than 31 December 2017. All B Shares in this company are held by owners of the units of Park Plaza Westminster Bridge London save for 2 B Shares which are held by Boris Ivesha and Chen Moravsky as nominees of Marlbray.

9.3 The Company has interests in the following jointly controlled entities:

Victoria Hotel and Restaurant Investment B.V.	The Netherlands	50[1]	Holding company
Victoria Hotel C.V.	The Netherlands	50[1][2]	Hotel operating company
Utrecht Victoria Hotel C.V.	The Netherlands	50[1][2]	Hotel operating company
Victoria Monument B.V.	The Netherlands	50[1]	Holding company
Victoria Hotel and Restaurant Management Services B.V.	The Netherlands	50[1]	Holding company
Melbourne Personeel B.V.	The Netherlands	50[1]	Hotel operating company
Schiphol Victoria Hotel C.V.	The Netherlands	50[1][2]	Hotel operating company
Victoria Schiphol Holding B.V.	The Netherlands	50[1]	Holding company
Melbourne Holding B.V.	The Netherlands	50[1]	Hotel operating company
Melbourne Onroerende Zaken B.V.	The Netherlands	50[1]	Holding company
Aspirations Limited	British Virgin Islands	50[3]	Hotel owning company

Notes:

(1) The remaining interests are held by a wholly-owned subsidiary of Elbit.

(2) A Dutch limited liability partnership.

(3) The remaining interests are held by Aldersgate Investments Limited.

9.4 The Company has the following associates:

Name	Country of registration or incorporation	Percentage of issued share capital held by the Company and (if different) proportion of voting power held	Purpose
WH/DMREF Bora B.V.	The Netherlands	20[1]	Holding company
W2005/Twenty Eight B.V.	The Netherlands	20	Holding company
Bora Finco B.V.	The Netherlands	20	Holding company

Note:

(1) The remaining interests are held by W2005/W2007 Bora S.a.r.l. and Coop Holding Bora B.V

9.5 Each company is registered as shown above and operates principally within its country of incorporation.

10. Employees

10.1 As at 31 December 2010, the Group (including for these purposes entities in which the Company has a 50 per cent. interest) had 2,015 employees. A breakdown by geographic location and category of activity is as follows:

Number of employees	Role
United Kingdom	
498	Rooms
667	Food and beverage
105	Administration
68	Sales and marketing
59	Maintenance
The Netherlands	
91	Rooms
124	Food and beverage
46	Administration
21	Sales and marketing
11	Maintenance
Germany and Hungary	
131	Rooms
148	Food and beverage
19	Administration
15	Sales and marketing
12	Maintenance

10.2 The average number of casual employees employed by the Group during the year ended 31 December 2010 was 554.

11. Material contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by a member of the Group:

(a) in the two years immediately preceding the date of this document and which are, or may be, material; or

(b) which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

11.1 ***The Introduction Agreement***

The Introduction Agreement was entered into on the date of this document by the Company, the Directors and Investec under which Investec has agreed to act as financial adviser in relation to Admission. For its services in connection with Admission and provided the Introduction Agreement becomes wholly unconditional and is not terminated, Investec is entitled to a corporate finance fee equal to £400,000 less the aggregate of the fees already paid to Investec by the Company as at Admission (equal to £50,000 per month or part of a month payable in advance commencing on 1 March 2011). In addition, Investec will be entitled to be reimbursed for its reasonable out-of-pocket expenses incurred in connection with Admission.

Under the Introduction Agreement, which may be terminated by Investec in certain limited circumstances prior to Admission, the Company and the Directors have given certain market standard warranties and (in the case of the Company) indemnities to Investec concerning, *inter alia*, the accuracy of the information contained in this document.

11.2 ***The Territorial Licence Agreement***

The licensing arrangements relating to the Park Plaza Hotels & Resorts brand are governed by the Territorial Licence Agreement dated 30 September 2002 made between Park Global Holdings (a company stated in the Territorial Licence Agreement to be wholly-owned and controlled by Carlson) as licensor and Golden Wall (a member of the Group) as licensee. Under the Territorial Licence Agreement, Golden Wall, amongst other rights, is granted an exclusive licence to use the marks in 56 countries throughout Europe, the Middle East and Africa (the "Territory") in perpetuity (or the maximum period allowed by the laws of the relevant jurisdiction). The marks include "Park Plaza" and "Park Plaza International" and such of the foregoing with the addition of any other word or words describing any individual hotel (the "Marks").

The Territorial Licence Agreement also allows Golden Wall to use, and licence others to use, the Park Plaza Hotels & Resorts reservation system (the "System") within the Territory, which right includes the right to utilise the System's international marketing and reservations facilities and to receive other promotional assistance.

Hotels which are granted a sub-licence and which are not owned or managed by Golden Wall or its affiliates must enter into a standard form licence agreement (the form used for licensing the Park Plaza Hotels & Resorts trademark in the US).

Pursuant to a territorial sub-licence dated 31 March 2003, Golden Wall granted an exclusive sub-licence of its rights under the Territorial Licence Agreement to Compass Investment Ltd to use the Marks in Germany and Hungary. Compass Investment Ltd assigned the benefit of this sub-licence to PPHEG by way of a "Contribution Agreement" entered into on 31 March 2003.

In addition, Golden Wall sub-licensed its rights and obligations under the Territorial Licence Agreement to PPHE on 31 March 2003, on the same terms as those contained in the sub-licence described above, to use the Marks in relation to Europe (excluding Germany and Hungary) and the Middle East.

The parties may only terminate the Territorial Licence Agreement in circumstances where pursuant to agreed arbitration procedures it has been determined that the other has suffered an event of default which remains uncured beyond any applicable cure period. These events include: the licencee's failure to pay any monies due under the agreement which failure is not cured within 30 days of an arbitrator's decision in relation thereto; the licencee suffering certain specified insolvency events; and the failure by either party to perform any obligation under the agreement (other than an obligation to pay money) within 60 days of notice of such failure provided that if the failure cannot be cured within 60 days of such notice, but can be cured within 75 days of such notice then no event of default shall occur so long as the party in default promptly commences action to cure the default within 60 days of such notice and diligently continues such action to cure and in fact cures the default within 75 days.

11.3 ***art'otel Acquisition Agreement***

A Binding Memorandum of Agreement, subject to German law, was entered into by CCS, PPHEG and PPHE in relation to the art'otel brand on 4 May 2007. This agreement assigned to PPHEG and PPHE the rights to the art'otel domain names and various pending and registered art'otel trademarks which were previously owned by CCS (in respect of Germany and Hungary to PPHEG and in respect of the rest of its rights in other jurisdictions to PPHE). PPHEG and PPHE acknowledged under the agreement that there have been refusals of trademark applications in six jurisdictions due to the existence of prior registered marks. CCS undertook to grant to PPHE and PPHEG irrevocable powers of attorney to execute all required deeds to perfect the registrations of PPHEG and PPHE as owners of the trademarks and trade names. All registrations of art'otel trademarks and domain names following the date of the agreement are made exclusively by PPHEG and PPHE. Under the agreement, the parties agree to use reasonable endeavours to come to an agreement in relation to the loan of art currently in place in the hotels leased or operated by PPHEG and PPHE although no such formal agreement has been entered into as at the dates of this document. The trademarks transferred are listed in an Annex to the agreement. The domain names transferred are not specified.

This agreement also gives an exclusive and perpetual licence of the art'otel trademarks back to CCS for use in the development of hotels in Germany, France, Austria, Switzerland, Italy and Spain. When CCS contemplates developing a hotel in these territories, it is to negotiate in good faith a balanced lease to PPHEG or PPHE of the respective hotel from CCS. The agreement states that in the event that a lease is not agreed, CCS has the right to self-operate the hotel or get a third party to operate the hotel. In such case, CCS is entitled to use the art'otel brand under PPHEG's or PPHE's then prevailing most favourable licence agreement. PPHEG and PPHE are also under an obligation to refer third party developers to CCS and, if CCS does not enter into an agreement with such third parties, PPHEG and PPHE are not allowed to either. No specific criteria are set out with regard to when an agreement has to be entered into. PPHEG and PPHE are permitted to enter into agreements in relation to the management of existing hotels, but only on obtaining consent from CCS (such consent not to be unreasonably withheld).

In 2007, CCS opened and currently operates the art'otel leipzig. CCS did not offer the Group the opportunity to negotiate a balanced lease in respect of this property and no formal licence agreement has been entered into in respect of this property.

Under this agreement, CCS also advises and provides consultation services in relation to the art and interior design concept of all hotels under the art'otel brand. Consultancy is to be carried out exclusively by CCS and at a fee of 0.25 per cent. of the "investment volume", but not less than €50,000 and not more than €100,000 per hotel (plus VAT and any expenses and all fees in relation to artists and art historians etc.). The obligation to reimburse expenses and fees for artists is not capped and could therefore result in substantial additional costs. The parties have agreed that existing brands other than the art'otel brand which are registered in favour of CCS or any of its affiliates or authorised parties shall not be deemed confusing or infringing to the art'otel brand.

The consideration paid under this agreement was 492,292 Shares which were issued at the time of the Company's admission to AIM.

11.4 ***The Relationship Agreements***

On 28 June 2007, the Company entered into separate relationship agreements with Euro Plaza and Molteno described in section 13.1 of this Part VII headed "Related-party transactions — The Relationship Agreements".

11.5 ***Share sale agreement relating to Shaw Hotel Holding B.V.***

On 19 December 2005, Euro Sea, BEA N.V., Shawpark Investments B.V. (together, the "Sellers") and WG Mitchell (Scotland) Ltd (the "Purchaser") entered into an agreement in respect of the sale of the shares in Shaw Hotel Holding B.V. ("Shaw"), the holding company for the Bernard Shaw hotel in London. The purchase price was £74.5 million and was divided between the Sellers *pro rata* to their shareholding in Shaw.

The Sellers gave certain warranties which, if breached, would render the Sellers jointly and severally liable to Purchaser to take all such actions/make all such payments so as to put the Purchaser/Shaw in the position it would have been had the warranty been true. Whilst the true limit for making claims under the majority of the warranties has now expired the Purchaser may make claims pursuant to those warranties relating to capital shares and real property until 30 October 2011. There is no cap on the amount of any such claims.

11.6 ***Purchase agreement relating to interests in, and related loans to, Park Plaza Sherlock Holmes London, Park Plaza Victoria London and Park Plaza Riverbank London***

On 29 December 2010, B.E.A Hotels N.V. (the "Seller"), the Company and PPHE Holdings (the "Buyer" and together with the Company, the "Park Plaza Group") entered into an agreement for the acquisition of interests in, and related loans to, Park Plaza Sherlock Holmes London, Park Plaza Victoria London and Park Plaza Riverbank London. The acquisition of these hotels took place by way of the purchase by the Buyer of the issued share capital in each of Grandis, Victoria and Riverbank which the Group did not, at the time, already own. The total potential consideration payable by the Group is £21 million.

The consideration is payable as follows:

11.6.1 the Euro equivalent of £8 million (as at 31 December 2010) in cash to be paid by the Buyer in seven equal quarterly instalments with interest also payable quarterly (such amount being paid to the Seller by way of repayment of a loan made by it as lender to the Buyer as borrower on 31 December 2010 (the "Instalment Loan Agreement")). The first instalment was paid on completion and the final instalment is due to be paid on 30 June 2012;

11.6.2 the Euro equivalent of £8 million (as at 31 December 2010) in cash to be paid by the Buyer in December 2013, with interest payable quarterly (such amount being paid to the Seller by way of repayment of a loan made by it as lender to the Buyer as borrower on 31 December 2010 (the "Balloon Loan Agreement"));

11.6.3 £1.5 million by the issue of 1,000,000 Shares on 31 December 2010. The Shares issued are subject to a lock-up until 31 December 2012, following which the Company will have a right of first refusal in respect of these Shares; and

11.6.4 £3.5 million, to be paid in three instalments: £1.75 million in December 2015, £0.875 million in December 2016 and £0.875 million in December 2017. The amounts to be paid may be reduced depending on the performance of the Shares during the year period following 31 December 2010.

The Company was granted an option to buyback from the Seller all of the Shares which were issued to the Seller by way of consideration (as detailed in 11.6.3 above) and which the Seller may own from time to time at a price of £5 per Share. Under the terms of the agreement, if the option is exercised, the balance of the £3.5 million due to the Seller under 11.6.4 above, will be reduced by an amount equal to £3.50 multiplied by the number of Shares actually purchased. This purchase by the Company would require Shareholder approval under Guernsey law.

Each of the Company and the Buyer gave certain typical warranties to the Seller which, if breached, would render the Company and the Buyer severally and not jointly liable to the Seller. Claims made under these warranties are unlimited in amount but must be notified on or before 31 December 2012. Similarly, the Seller gave certain typical warranties to the Company and the Buyer which, if breached would render the Seller liable to the Company and the Buyer. Claims made under these warranties are also unlimited in amount but must be notified on or before 31 December 2012.

The fulfilment of the Buyer's representations, warranties, obligations and undertakings under each of the agreement, the Instalment Loan Agreement and the Balloon Loan Agreement were guaranteed by the Company to the Seller. Each of the guarantees will be continuing and irrevocable for so long as any performance is or might be owed under the relevant agreement by the Buyer and for so long as the Seller may have a right of action against the Buyer. Furthermore, each of the guarantees shall continue in full force and effect for (and as to) any extension or modification of the relevant agreement and despite any transfer of any interest in the agreement or Buyer in accordance with such agreement. The Seller may take action (in whole or in part) against the Guarantor independently from any other right or proceeding the Buyer and there is no requirement that the Seller must seek or exhaust remedies from the Buyer prior to seeking remedy and relief from the Guarantor.

Furthermore, the Company agreed to undertake all of Elbit's obligations under the Elbit Guarantees (as further described in section 12.1 of this Part VII headed "Financing facilities — Aareal Bank Facility") and to pay instead of Elbit and to indemnify and hold Elbit harmless from and against any demand from or payment to Aarael Bank in connection with the Elbit Guarantees from 31 December 2010.

The Company also agreed to cause Southern to cancel, terminate and nullify Elbit's indemnification in respect of Grandis' obligations under the lease of Park Plaza Sherlock Holmes London, as further described in section 13.3 of this Part VII headed "Related Party transactions — Indemnity to Southern".

11.7 ***Share purchase agreements relating to interests in Park Plaza Nottingham and Park Plaza Leeds***

On 2 August 2010, pursuant to three share purchase agreements (described below), the Company acquired Park Plaza Leeds and Park Plaza Nottingham which were previously, and continue to be, operated by the Group.

The Company acquired the entire issued share capital of Waterford Investments Limited ("Waterford") from Julian Donn for £1.00. Waterford, through its three wholly-owned subsidiaries (Laguna Estates (Leeds) Limited, Katmandu Limited and Sandbach Investments Limited) owns the freehold of Park Plaza Leeds and leasehold interests in Park Plaza Nottingham which run until 2145 in relation to the main site and 2016 in relation to the adjoining storage areas. Julian Donn gave limited warranties under this agreement in relation to which there is no time limit for bringing a claim and there is no limit on the amount of any claim. Under the same agreement, PPHE Holdings acquired from Martin Morris a deep discount bond issued by Laguna Estates (Leeds) Limited in 2008 for approximately £2.7 million for a cash consideration of £2.0 million. Martin Morris gave certain warranties to the Company and PPHE Holdings which, if breached up to and including the first anniversary of completion of such agreement (that is, by 2 August 2011), would render him liable up to an aggregate amount of £2.0 million.

On the same day, under a separate agreement, Euro Sea acquired the entire issued share capitals of Hotel Leeds Holding B.V. ("Leeds") (which has a 99-year lease of Park Plaza Leeds), Hotel Nottingham Holding B.V. ("Nottingham") (which has a 99-year lease of Park Plaza Nottingham), and Nottingham Park Plaza Hotel Operator Limited (which carries on the business of the hotels) from Leno, a wholly-owned member of the Red Sea Group. The aggregate purchase price was £3.31 million. Leno gave certain warranties which, if breached, would render Leno liable to Euro Sea to take all such action/make all such payments so as to put Euro Sea in the position it would have been had the warranty been true.

On the same day, the Company entered into an agreement with Leno for the purchase of Leno Investment Limited for £1.00. Leno Investment Limited owns certain loans owed by Leeds and Nottingham. This share purchase agreement only contains limited warranties.

Eli Papouchado, the Company's Chairman, and members of his family indirectly control (via certain members of the Red Sea Group) Leno. The transaction was therefore a related party transaction. The Directors (other than Eli Papouchado, who is interested in the transaction, and Boris Ivesha, who is treated as acting in concert with Euro Plaza (the Company's 43.6 per cent. shareholder and in which Mr. Papouchado is interested) for the purposes of the Takeover Code), having obtained valuation advice in relation to the leasehold interests in the hotels from Savills and consulted with Investec, the Company's nominated adviser, considered that the terms of the acquisitions are fair and reasonable insofar as the Shareholders are concerned.

11.8 ***Purchase agreements relating to Park Plaza Amsterdam Airport***

On 27 April 2010, Victoria Schiphol Holding (acting as general partner and for the account of Schiphol Victoria Hotel) entered into a real estate purchase agreement with Melbourne Onroerende Zaken B.V. for the purchase by Schiphol Victoria Hotel of certain parcels of real estate located at the Melbournestraat in the Airport Business Park Lijnden, The Netherlands (the "Park Plaza Amsterdam Airport Hotel Property"). On the same date, the legal title to the Park Plaza Amsterdam Airport Hotel Property was transferred to Schiphol Victoria Hotel pursuant to a deed of transfer.

The purchase price for Park Plaza Amsterdam Airport Hotel Property amounts to €28 million. The real estate purchase agreement and the deed of transfer contain limited warranties given by

Melbourne Onroerende Zaken B.V.. The obligations under the warranties are unlimited in time or amount. The deed of transfer contains certain restricted rights (including qualitative obligations), which amongst others limit the use of Park Plaza Amsterdam Airport Hotel Property and the right of any owner of Park Plaza Amsterdam Airport Hotel Property to sell or lease Park Plaza Amsterdam Airport Hotel Property.

In connection with the acquisition of Park Plaza Amsterdam Airport Hotel Property, Victoria Schiphol Holding (acting as general partner and for the account of Schiphol Victoria Hotel) has entered into a share purchase agreement with Aareal Bank and Mr. A.W. Erckens, dated 27 April 2010, pursuant to which Schiphol Victoria Hotel has purchased the entire issued and outstanding share capital in each of Melbourne Onroerende Zaken B.V., Melbourne Holding B.V. and Melbourne Personeel B.V.. The total purchase price for such acquisitions amounts to €2 million, subject to an adjustment based on the aggregate net asset value of the target companies, as evidenced in the interim accounts to be agreed upon by the parties (if the net asset value is a positive number, Schiphol Victoria Hotel shall pay an amount equal to such positive amount to Aareal Bank and, if the net asset value is a negative number, Aareal Bank shall pay an amount equal to such negative amount to Schiphol Victoria Hotel). The share purchase agreement contains limited warranties given by Aareal Bank, which are limited in time 12 months after the completion date, except for the tax warranties which continues until the expiry of the statute of limitations) and amount (€1.9 million). Furthermore, the share purchase agreement contains a tax indemnity given by Aareal Bank in favour of Schiphol Victoria Hotel in respect of the period prior to 28 April 2010 which is limited to Aareal Bank's maximum aggregate liability of €1.9 million and continues until the expiry of the statute of limitations.

11.9 ***Shareholders' agreement relating to Bora***

On 10 April 2008, Euro Sea entered into a shareholders' agreement in relation to Bora with each of W2005/W2007 Bora S.à r.l. ("Whitehall"), COOP Holding Bora B.V. ("DMREF") and Bora (the "Bora Shareholders' Agreement"). Euro Sea owns 20 per cent. of Bora, the owner of 74 per cent. of Arenaturist d.d., a public company listed on the Zagreb (Croatia) Stock Exchange, and 100 per cent. of three related private companies.

Under the Bora Shareholders' Agreement, so long as the board of directors of Bora consists of five directors, Whitehall and DMREF collectively are entitled to appoint four directors and Euro Sea (so long as it is not in default under the agreement) is entitled to appoint one director to the board of Bora. All director decisions require a majority vote of the board of directors which includes the affirmative vote of at least two Whitehall/DMREF nominated directors or the unanimous consent of the board of directors.

The agreement also states that, although Whitehall/DMREF will use all commercially reasonable efforts to procure debt financing for Bora and its subsidiaries, the board of Bora may at any time require shareholders to make additional contributions (by way of capital contribution or shareholder loans) *pro rata* in accordance with each shareholder's percentage interest in Bora. Where a shareholder fails to make such a contribution (where such contribution has been made by the other shareholders) the non-contributing shareholder's percentage interest will be re-calculated and diluted. The remaining shareholders may fund all or part of the non-contributing shareholder's contribution through a combination of interest bearing loan (ranking in priority over other shareholder loans or distributions) or dilutive shareholder loan and/or capital contributions. Where a shareholder provides a guarantee, indemnity or security in respect of Bora's obligations, the remaining shareholders will reimburse him of a pro rata share of any funds paid by the provider of the guarantee.

The Bora Shareholders' Agreement provides that Whitehall/DMREF may at any time elect to sell any entity and/or any commercial property which is controlled/owned by Bora (including Arenaturist) provided that the Group has first been given a right of first refusal. On a proposed sale of Whitehall/DMREF's shares and shareholder loans in Bora, Euro Sea has a right of first refusal; thereafter sales by Whitehall/DMREF to third parties are subject to drag-along rights (on sale of entire interests) and proportional tag-along rights (on the sale of a portion of interests). In the event that the Group is no longer the manager of any of the Bora properties or is in default under the Bora Shareholders' Agreement or any relevant management agreement, Whitehall/DMREF shall have a right to require Euro Sea to sell all its interests in Bora at a price determined in accordance with the agreement.

11.10 ***Joint venture agreement relating to Aspirations Limited***

There is a joint venture agreement in relation to Aspirations Limited ("Aspirations"), the owner of a site in Hoxton, London on which the Group plans to develop a new apart-hotel under the art'otel brand. Planning permission for this hotel has been obtained. The agreement, dated 14 March 2008, is made between Aldersgate Investments Limited ("Aldersgate"), Apex Holdings (UK) Limited ("Apex"), the Company (as guarantor of Apex's obligations) and Aspirations (the "Hoxton Joint Venture Agreement"). Apex, a wholly-owned subsidiary of the Company, owns 50 per cent. of the issued share capital of Aspirations.

Under the Hoxton Joint Venture Agreement, Aldersgate is entitled to appoint two "A" directors and Apex is entitled to appoint two "B" directors to the board of Aspirations. All director decisions require a vote by a majority of the directors present at such meeting and by at least one "A" director and at least one "B" director. All shareholder decisions require unanimity.

The Hoxton Joint Venture Agreement provides that a sale of a shareholder's shares (but not part only) and a transfer of a shareholder's loans (but not part only) to a third party are allowed subject to pre-emption and, in the event of default by a shareholder, contains put and call option mechanisms in favour of the non-defaulting shareholder.

The agreement also provides that where a deadlock occurs, either shareholder may within 28 days of the event giving rise to the deadlock serve a notice. Following such notice, the shareholders will refer the matter to a committee of an equal number of senior members of the board of directors of the ultimate parent companies and shall use all reasonable endeavours in good faith to resolve the dispute. Should this fail, the agreement contains Russian roulette provisions whereby an irrevocable notice is served to either buy or sell all the respective shareholder's shares for cash at a price specified in the notice. The recipient of the notice is entitled to serve a counter-notice.

The agreement also states that further funding to finance the development and construction of the hotel and working capital thereafter will be required and that (following each shareholder funding all costs relating to the planning permission and related consents in proportion to its shareholding in the Company by way of shareholder loan) neither shareholder shall have any obligation to provide such further funding, which is to be obtained from third party providers to be agreed at an appropriate time in the future; no shareholder will be required to provide any guarantee, indemnity or security in respect of Aspiration's obligations.

11.11 ***Registrar Agreement***

The Offshore Registrar Agreement dated 11 July 2007 is made between the Company and Capita Registrars (Guernsey) Limited (respectively the "Registrar Agreement" and the "Registrar"). Under the Registrar Agreement, the Shares will at all times be registered on the register of members (the "Offshore Registers") kept in Guernsey. The Company appoints the Registrar to act as the register of the Offshore Registers in respect of the Shares. In addition to keeping the Offshore Registers the Registrar agrees to provide certain administrative, accounting and secretarial services.

Fees are payable to the Registrar by the Company quarterly in arrears based on the number of shareholder accounts appearing on the Offshore Registers at certain points of the calendar year. The Registrar is entitled to a minimum annual fee of £4,500.

The Company agrees to indemnify the Registrar and its agents, officers and employees from and against all liabilities which may be suffered or incurred by the Registrar or its agents, officers and employees which arise in connection with the Registrar Agreement except if the liabilities arise out of the fraud, negligence or wilful default of the Registrar or its agents, officers or employees.

The Registrar Agreement may be terminated by either party giving not less than three months' notice of termination to other party or in other limited circumstances which include one of the parties going into liquidation.

11.12 ***The financing facilities***

The Company has entered into the financing facilities described in section 12 of this Part VII headed "Financing facilities".

11.13 ***Administration and Secretarial Agreement***

On 11 July 2007, the Company entered into an Administration and Secretarial Agreement with C.L. Secretaries Limited (the "Administrator") whereby the Administrator agreed to provide the Company with registered office, secretarial and administration services. The Administrator is entitled to an annual fee of £40,000 payable quarterly in advance. Additional fees may also be payable if the Administrator provides services outside the scope of this Agreement. The Administrator is also entitled to a refund by the Company of all expenses reasonably incurred in the performance of the Administrator's duties under the Agreement. The Agreement contains an unlimited indemnity in favour of the Administrator against claims by third parties except to the extent that the claim is due to the bad faith, negligence, fraud, breach of contract and wilful default of the Administrator or its delegates. The Agreement may be terminated by any party giving to the other not less than three months notice in writing or otherwise in circumstances, *inter alia*, where one of the parties goes into liquidation. The Administrator's appointment under this Agreement will terminate automatically if the Administrator ceases to be licensed in Guernsey to act as administrator of the Company.

11.14 ***Limited partnership agreement relating to Schiphol Victoria Hotel C.V.***

On 26 April 2010, Victoria Schiphol (an entity which is jointly owned by the Group and Elbit) (as managing partner) and Victory I (a wholly-owned subsidiary of the Company) and Amalfa Investment B.V. (a wholly-owned subsidiary of Elbit) (each as limited partner) entered into a limited partnership agreement establishing Schiphol Victoria C.V.. On 28 April 2010, Victoria Schiphol acquired Park Plaza Amsterdam Airport on behalf of and for the risk and account of Schiphol Victoria Hotel C.V..

Victory I and Amalfa Investment B.V. each have an interest in the partnership of 49.5 per cent. and the managing partner has an interest of 1 per cent. in the partnership.

No partner has the right to sell, assign encumber, mortgage, transfer or otherwise dispose of its interest in the partnership without the consent of all other partners.

The power to represent the partnership is exclusively attributed to Victoria Schiphol (as managing partner). The partnership agreement provides for a list of matters that require the prior unanimous approval of the partners (e.g. the acquisition or disposal of real property and the entering into hotel management agreements).

11.15 ***Limited partnership agreement relating to Utrecht Victoria Hotel***

On 25 November 2009, Victoria HRI (as managing partner) and Victory I and Victory II (each as limited partners) entered into a limited partnership agreement establishing Utrecht Victoria Hotel the entity on behalf of which the managing partner holds the Park Plaza Utrecht. On 24 December 2009, the partners entered into an amendment agreement to the limited partnership agreement.

On 5 January 2010, Park Plaza Utrecht was, as part of an internal restructuring, transferred to Victoria HRI (on behalf of and for the risk and account of Utrecht Victoria Hotel).

Victory I and Victory II each have an interest in the partnership of 49.5 per cent. and the managing partner has an interest of 1 per cent. in the partnership.

The power to represent the partnership is exclusively attributed to Victoria HRI (as managing partner). The partnership agreement provides for a list of matters that require the prior unanimous approval of the partners (e.g. the acquisition or disposal of real property and the entering into hotel management agreements).

11.16 ***Limited partnership agreement relating to Victoria Hotel***

On 12 February 1993, Victoria HRI (as managing partner) and Victory I, Victory II and Victory III (each as limited partner) entered into a limited partnership agreement establishing Victoria Hotel, the entity on behalf of which the managing partner holds the Park Plaza Victoria Amsterdam. The limited partnership agreement has been supplemented and amended from time to time, amongst others in relation to the transfer of Victory III's interest in Victoria Hotel to Victory I and Victory II.

Victory I and Victory II each have an interest in the partnership of 47 per cent. and the managing partner has an interest of 6 per cent. in the partnership.

The managing partner has the right to decide and to take any action relative to the daily management and operations of the partnership in accordance with the yearly budget approved by the partners. The partnership agreement provides for a list of matters that require the prior authorization or instruction of the partners (e.g. the acquisition or disposal of real property and the entering into hotel management agreements), such authorization or instruction of the partners requires the unanimous decision of the partners.

12. Financing facilities

12.1 *Aareal Bank Facility*

On 23 November 2010, Riverbank, Victoria and Grandis (the "Hotel Borrowers") as borrowers entered into an English law £165 million term loan facilities agreement with Aareal Bank as arranger, agent, security trustee and hedge counterparty, Aareal Bank as original lender, Victoria Pub, Victoria PP Op, Sherlock Holmes PP and Riverbank Op as guarantors (the "Guarantors") and Victoria PP Op, Sherlock Holmes PP and Riverbank Op as licensees (the "Aareal Bank Facility").

The Aarael Bank Facility was made available to refinance a £195 million term loan facility agreement dated 3 March 2006 between, among others, the Hotel Borrowers and Goldman Sachs International Bank. The facility was made available in two term loan tranches of £153,611,000 ("Facility A") to Victoria and Riverbank and £11,389,000 ("Facility B") to Grandis. The facility is repayable in quarterly instalments with the first instalment payable on 24 March 2011 and the final instalment on the fifth anniversary of the first drawdown with Facility B repaid first, and then Facility A. The Borrowers may not re-borrow any part of the facilities.

Interest consists of a margin (set out in a separate fee letter), LIBOR and mandatory cost, if any. The margin for Facility A is 2.75 per cent. per annum. The margin for Facility B is 5 per cent. per annum until certain conditions subsequent are fulfilled, in which event it reduces to 2.95 per cent. per annum. Breach of certain insurance undertakings results in an increase of the margin of 2 per cent. and there is general default interest of an additional 1 per cent.. Interest is payable on the last day of each interest period.

The Aareal Bank Facility contains two financial covenants:

(1) that at all times the aggregate value of all outstanding Loans do not exceed 68 per cent. of the value of the properties; and

(2) the Hotel Borrowers must ensure that, the debt service cover ratio (i.e. the net operating income from the properties for each of the four preceding financial quarters relative to the estimated principal, interest and other costs payable for the next four financial quarters multiplied by 100 per cent.) is not less than 120 per cent..

There are certain limited cure rights in relation to breaches of these financial covenants.

The security for the Aareal Bank Facility consists of:

(a) a fixed and floating charge debenture given by the Hotel Borrowers and the Guarantors (together the "Aareal Obligors") in favour of Aareal Bank as security trustee;

(b) a legal charge given by the Hotel Borrowers in favour of Aareal Bank as security trustee that is supplemental to the debenture described in (a) above;

(c) four Dutch law governed share charges over the share capital of each of Victoria Pub and each of the Hotel Borrowers held by certain shareholders in favour of Aareal Bank as security trustee;

(d) a German law governed bank account pledge and a Dutch law bank account pledge;

(e) a Dutch law governed pledge of insurance proceeds; and

(g) a Dutch law governed pledge of intercompany receivables.

In addition there was a sponsor guarantee given by the Company and Elbit (the "Aareal Sponsors") and a corporate guarantee given by the Aareal Sponsors in respect of the liabilities of Grandis under the finance documents (the sponsor guarantee and the corporate guarantee together being the "Elbit Guarantees"). Following entry into the Aareal Bank Facility, the Company has assumed all obligations under the Elbit Guarantees (for further details see section 11.6 of this Part VII headed "Material contracts — Purchase agreement relating to interests in, and related loans to, Park Plaza Sherlock Holmes London, Park Plaza Victoria London and Park Plaza Riverbank London"). Certain intercreditor arrangements were also put in place as well as parallel debt provisions in relation to the security. The Aareal Bank Facility contains mandatory prepayment provisions including prepayment from insurance proceeds, recovery claims and in the event of certain disposals.

The Aareal Bank Facility also contains provisions for mandatory prepayment on a change of control: if the Aareal Sponsors together cease to own directly or indirectly 100 per cent. of the shares in an Aareal Obligor, if the Company ceases to own directly or indirectly 50 per cent. of the shares in an Aareal Obligor or a person currently not controlling an Aareal Obligor (other than the Company or any of its subsidiaries) or group of persons acting in concert currently not controlling that Aareal Obligor (other than the Aareal Sponsors acting in concert) gains direct or indirect control over an Obligor. The Aareal Bank Facility expressly provides that there is no mandatory prepayment if Elbit sells its shares to the Company (which occurred on 31 December 2010—for further details see section 11.6 of this Part VII) or any of its subsidiaries or gets the prior written consent of Aareal Bank and the finance parties under the loan agreement and certain other criteria is met.

The Aareal Bank Facility contains certain representations, covenants and events of default including covenants restricting the disposal by the Aareal Obligors or certain shareholders of certain assets, any amalgamation, demerger, merger or corporate reconstruction without the prior written consent of Aareal Bank and redemption, repurchase, defease, retire or repayment of share capital.

Certain fees are payable in relation to the Aareal Bank Facility, including certain prepayment fees.

In connection with the Aareal Bank Facility, the Hotel Borrowers entered into an ISDA 2002 Master Agreement (the "ISDA") as published by the International Swaps and Derivatives Association, Inc. dated 23 November 2010 with Aareal Bank as hedge counterparty.

The Hotel Borrowers hedged 85 per cent. of Facility A by way of interest rate swaps incorporating the terms of the ISDA (the "Interest Rate Swaps"). Under each Interest Rate Swap the Hotel Borrowers pay a fixed rate of interest and receive from Aareal Bank a floating rate of interest equal to 3 month GBP LIBOR.

There is no requirement to hedge the remainder of Facility A and all of Facility B unless and until the LIBOR swap rate (as determined by the Agent under the Aareal Bank Facility) equals or exceeds 4 per cent. per annum, following which the remainder of Facility A and Facility B will need to be hedged.

The Interest Rate Swaps replaced existing hedging transactions with Goldman Sachs (the "Goldman Sachs Swaps").

As part of this arrangement on termination of the Goldman Sachs Swaps, Aareal Bank paid the sum of £14,415,000 as close-out costs to Goldman Sachs. The Hotel Borrowers agreed to repay such amount to Aareal Bank by quarterly instalments of £1,201,250 from 24 March 2011 to 27 December 2013 pursuant to a Hedging Side Letter dated 24 November 2010.

12.2 ***Dutch Aareal Bank Facility***

On 27 April 2010, Utrecht Victoria Hotel, Victoria Hotel, Mandarin Hotel and Schiphol Victoria Hotel C.V. as borrowers (the "Dutch Borrowers") entered into a Dutch law governed €111 million amended and restated secured term loan facilities agreement ("Dutch Aareal Bank Facility Agreement") with Aareal Bank as arranger, facility agent and security agent, Aareal Bank as original lender, Utrecht Victoria Hotel, Victoria Hotel, Mandarin Hotel, Schiphol Victoria Hotel C.V., Victory I, Victory II, Victoria HMRS, Victoria HRI and Victoria Schiphol Holding as guarantors (the "Dutch Guarantors") (the "Dutch Aarael Bank Facility").

The Dutch Aarael Bank Facility Agreement was entered into to amend and restate the original facility agreement in connection with (amongst others) the acquisition of Park Plaza Amsterdam Airport and to introduce additional facilities.

The Dutch Aarael Bank Facility has been made available in a €78 million existing secured term loan ("Existing Facility"), a €5 million secured loan ("Capex Facility") and a €28 million secured term loan ("Additional Facility").

The Dutch Aarael Bank Facility is to be repaid in quarterly instalments with the first instalment payable on 24 March 2010 and the final instalment on the date falling seven years after the date of first utilisation of either the Capex Facility or the Additional Facility. The Dutch Borrowers may not re-borrow any part of the facilities under the Dutch Aareal Bank Facility.

Interest consists of a margin, a fixed rate (as displayed for loans at a fixed interest rate on the appropriate screen of ICAP) and mandatory cost, if any. The margin for the Existing Facility and the Capex Facility is 2.40 per cent. per annum. The margin for the Additional Facility is 1.80 per cent. per annum. In the event of late payment of any amount payable under the Dutch Aarael Bank Facility, a default interest of (in principle) 2 per cent. will be due. Interest is payable on the last day of each interest period.

The security for the Dutch Aareal Bank Facility consists of:

(a) a Dutch law share pledge of the shares in Utrecht Victoria Hotel;

(b) a Dutch law share pledge of the shares in Mandarin Hotel;

(c) a Dutch law share pledge of the shares in Victoria HRI;

(d) a Dutch law share pledge of the shares in Victory I;

(e) a Dutch law share pledge of the shares in Victory II;

(f) a Dutch law bank account pledge over certain bank accounts;

(g) a Dutch law pledge of the rights of the Dutch Borrowers under certain operating agreements;

(h) a Dutch law mortgage over Park Plaza Eindhoven;

(i) a Dutch law leasehold mortgage over Park Plaza Utrecht;

(j) a Dutch law mortgage over Park Plaza Victoria Amsterdam;

(k) a Dutch law pledge over the moveable assets of Utrecht Victoria Hotel, Mandarin Hotel and Victoria Hotel;

(l) a Dutch law pledge over the insurance receivables of Utrecht Victoria Hotel, Mandarin Hotel and Victoria Hotel;

(m) a Dutch law (disclosed) pledge over intercompany loans and receivables by each of the Borrowers and Guarantors (other than Schiphol Victoria Hotel C.V.);

(n) a Dutch law mortgage over Park Plaza Amsterdam Airport;

(o) a Dutch law bank account pledge over certain bank accounts of Schiphol Victoria Hotel C.V.; and

(p) a Dutch law (disclosed) pledge over intercompany loans and receivables by Schiphol Victoria Hotel C.V..

The Dutch Aareal Bank Facility Agreement also contains provisions for mandatory prepayment upon the disposal of any of the Park Plaza hotels in the Netherlands (other than Park Plaza Vondelpark, Amsterdam). The amount payable in such event depends on which hotel has been disposed of. In addition, the Borrowers shall in such event pay break costs, a prepayment fee and (upon a disposal of Park Plaza Amsterdam Airport) also an exit fee.

The Dutch Aareal Bank Facility Agreement contains certain representations, undertakings, covenants and events of default, including (amongst others) undertakings restricting any of the Dutch Borrowers and Dutch Guarantors to dispose of or encumber certain of its assets, to enter into any amalgamation, demerger, merger or corporate reconstruction or to redeem, repurchase, defease, retire or repay its share capital, to issue any stock, share, debenture or other securities to any person or to change the conduct of its business.

Certain fees are payable in relation to the Dutch Aareal Bank Facility, including certain prepayment fees.

The Dutch Aareal Bank Facility contains two financial covenants. The first is that the Dutch Borrowers ensure that the loan to value ratio does not exceed 70 per cent..

The loan to value ratio is defined as:

(a) at any time until the earlier of the second anniversary of the date of utilisation of the facility as made available on 27 April 2010, the aggregate amount of the existing loan (being the loan made prior to 27 April 2010) expressed as a percentage of the open market value of the Existing Properties (defined below); and

(b) at any time thereafter, the aggregate amount of all loans, expressed as a percentage of the open market value of the Properties (defined below).

The "Existing Properties" are the Mandarin Hotel, the Utrecht Victoria Hotel and the Victoria Hotel and the "Properties" are the Mandarin Hotel, Utrecht Victoria Hotel, Victoria Hotel and Schiphol Victoria Hotel.

The second financial covenant is that the debt service cost ratio must not be less than 120 per cent.. Debt service cost ratio is defined as:

(a) at any time until the second anniversary of the date of utilisation of the facility of 27 April 2010, the net operating income for each of the four preceding financial quarters in respect of the Existing Properties divided by Debt Service (defined below) in respect of the existing facility for the next four financial quarters multiplied by 100 per cent.; and

(b) at any time, thereafter, net operating income for each of the four preceding financial quarters in respect of the Properties (divided by Debt Service for the next four financial quarters multiplied by 100 per cent.).

"Debt Service" is the aggregate of all principal, interest, fees and other costs payable by the borrowers in respect of a calendar quarter and the ground rent payable under the head lease (in respect of Utrecht Victoria Hotel) in respect of a calendar quarter.

12.3 ***Bank Hapoalim Facility — Victoria Monument***

On 14 December 2006, Victoria Monument (the "Borrower") and Bank Hapoalim BM (the "Lender") entered into an English law €14 million facility letter (the "Victoria Facility") as amended from time to time.

One €14 million term loan facility is made available to the Borrower under the Victoria Facility. The facility was made available to finance the purchase of a building located adjacent to Park Plaza Victoria Amsterdam (the "Property").

The interest rate on the facility is 2.25 per cent. plus LIBOR for the relevant interest period plus the Lender's mandatory costs.

The facility was initially repayable in full on 14 December 2007. After several amendments, the final maturity date is now 31 August 2011 (subject to any future extensions of the term).

Security given in favour of the Lender includes a legal charge over the Property given by the Borrower, guarantees from Euro Sea and Elbit Medical Imaging Ltd. (the "Guarantors") in respect of all the Borrower's liabilities under the Victoria Facility, legal charges over the shares held in the Borrower, a charge over the purchase agreement for the purchase of the Property and a fixed charge over a designated "loan account' containing the loan.

The Victoria Facility contains covenants that each of the Guarantors must beneficially own 50 per cent. of the share capital in the Borrower, the Borrower shall not and procure that none of its direct or indirect subsidiaries enter into a merger or reconstruction and that the Borrower cannot engage in any other activity other than the purchase and refurbishment of the Property. The Borrower cannot distribute any dividends, in cash or in kind, or make any other distribution without the prior written consent of the Lender.

The Victoria Facility contains various events of default, including if the Borrower ceases to be wholly owned beneficially by the Guarantors or the Borrower or a Guarantor or a Pledgor enters into any amalgamation, demerger, merger or reconstruction.

Voluntary prepayment may be made on the Loan in whole or in part on seven prior business days' notice, to be paid on the last day of an interest period under the Victoria Facility. For voluntary prepayment or a mandatory prepayment, a fee of 0.25 per cent. of the amount prepaid is payable.

Under the Victoria Monument Facility, the Borrower shall not incur any indebtedness other than pursuant to the Victoria Facility.

Costs have to be paid upon each amendment of the agreement; currently, the fee is €5,000 for each amendment which extends the final maturity date of the loan for three months at a time.

12.4 ***Bank Hapoalim Facility — Marlbray facility agreement***

On 19 April 2007, Marlbray (the "Borrower") and Bank Hapoalim B.M., London Branch (the "Lender") entered into an English law £221 million facility agreement (as amended and restated from time to time) (the "Marlbray Facility Agreement").

Originally, under the Marlbray Facility Agreement, a term loan of £221 million was made available to:

(a) repay or prepay all amounts owing under an existing facility;

(b) fund all demolition and clearance operations and all excavations, building and other construction work and all associated drainage and infrastructure works for the development (the "Development") of an hotel at 200 Westminster Bridge London SE1 7NJ (the "Property"); and

(c) the payment of interest and fees, including those under any hedging documents.

On 2 April 2009, by way of amendment and restatement of the Marlbray Facility Agreement a further £27 million was made available to the Borrower.

On 22 June 2010, by way of amendment of the Marlbray Facility Agreement an additional £5 million revolving credit facility was made available.

Immediately prior to an amendment and restatement of the Marlbray Facility Agreement on 1 June 2011, the Borrower owed an amount of £93,887,004.01 (the "Existing Amount"). This amount included the principal amount outstanding on 1 June 2011 plus accrued interest which was deemed capitalised on that day.

As part of the amendment and restatement on 1 June 2011, the Lender rolled over the Existing Amount and extended a new facility of £21,112,995.99 for working capital, general corporate purposes and certain projects.

The loans are repayable in quarterly instalments of 0.5 per cent. of the amount then outstanding commencing in September 2011 and will bear interest at the rate of 2.65 per cent. per annum over 3-month Sterling LIBOR plus the Lender's mandatory cost. The rate will increase by 2 per cent. on any part of the loan that causes the loan to value ratio to exceed 70 per cent..

Any outstanding amounts under the Marlbray Facility Agreement are repayable in full on 1 June 2018.

On 22 June 2011, Marlbray entered into an interest rate swap agreement pursuant to which Marlbray swapped the variable interest rate of 3-month Sterling LIBOR plus 2.65 per cent. on an amount of £58.0 million to a fixed interest rate of 5.29 per cent. until the maturity of the facility in June 2018.

The Marlbray Facility Agreement contains two financial covenants:

(1) that at all times the aggregate value of all outstanding Loans do not exceed 75 per cent. of the value of the Property; and

(2) the Borrower must ensure that on each interest payment date, the debt service cover ratio (i.e. the net operating income of the hotel for each of the four preceding financial quarters relative to the estimated principal, interest and other costs payable by the Marlbray for the

next four financial quarters) is not less than 115 per cent. until 1 June 2012 and thereafter is not less than 130 per cent. There will be no event of default in relation to this financial covenant unless this ratio is breached on 2 consecutive interest payment dates or is the fifth such breach.

The Marlbray Facility Agreement contains certain representations, undertakings and covenants which apply to the Borrower and three of its related companies (Westminster Bridge Holdings B.V., Park Plaza Hospitality Services (UK) Limited and Westminster Bridge Hotel Operator Limited (the "Marlbray Companies")) and which would be normal in facilities of this kind including a general covenant that the Borrower shall not, without the prior consent of the Lender, declare or pay any dividend or make any other distribution in respect of any of its shares, issue any further shares or alter any rights attaching to shares already in issue, repay or redeem any of its share capital other than with amounts standing to the credit of its general account.

The Marlbray Facility Agreement contains various events of default including insolvency events which apply to the Marlbray Companies and, most notably if any party (other than the Lender, a counterparty or an administrative party) repudiates a Finance Document (as defined within the Marlbray Facility Agreement) or evidences such intention.

The Lender (or where there is more than one, lenders holding 51 per cent. or more of the loans) may require the loans to be prepaid if a change in control occurs.

For these purposes, a change of control occurs if (a) the Papouchado Family (as defined below) ceases to hold the power to cast (whether by way of ownership of shares, proxy or contract, agency or otherwise) or ceases to control the casting of 35 per cent. or more of the maximum number of votes that may be cast at a general meeting of the Company (in each case, disregarding the arrangements referred to in paragraph (d) below); or (b) Boris Ivesha (as defined below) ceases to hold directly or indirectly the power to cast (whether by way of ownership of shares, proxy or contract, agency or otherwise) or ceases to control the casting of 15 per cent. or more of the maximum number of votes that may be cast at a general meeting of the Company; or (c) Boris Ivesha and the Papouchado Family together cease to hold the power to cast (whether by way of ownership of shares, proxy or contract, agency or otherwise) or cease to control the casting of 50 per cent. or more of the maximum number of votes that may be cast at a general meeting of the Company (in each case, disregarding the arrangements referred to in paragraph (d) below); or (d) the contractual arrangements between the Papouchado Family and Boris Ivesha pursuant to which Boris Ivesha agrees to vote Shares in which Boris Ivesha is interested in a manner that is consistent with the votes cast by the Papouchado Family in respect of the Shares by the Papouchado Family, cease to have effect for any reason.

The Papouchado Family means each of, or any combination thereof: (i) Eli Papouchado; (ii) Yoav Papouchado; (iii) Avner Papouchado; (iv) the spouses and dependents of any of the individuals named in subparagraphs (i) to (iii) above; and (v) any trust (including a discretionary trust) a beneficiary of which is one of the above mentioned individuals or any entity directly or indirectly owned or controlled by such above mentioned individuals or trusts.

Boris Ivesha means each of, or any combination thereof: (i) Boris Ivesha; and (ii) any trust (including a discretionary trust) a beneficiary of which is the above mentioned individual or any entity directly or indirectly owned or controlled by such above mentioned individuals or trusts.

The Borrower may prepay the loan in whole or in part on 15 prior days' notice, to be paid on the last day of an interest period and in a minimum amount of £5 million and integral multiples of £500,000. There are provisions for mandatory prepayment on flotation of the Borrower, receipt of certain insurance proceeds and disposal of the Property (or any part thereof). Certain prepayment fees may apply.

The facilities are secured by, inter alia, the existing debenture over the Borrower's assets and charges over the shares in the Borrower together with new debentures granted by the Marlbray Companies and security over the shares in each of these companies. The Company has entered into a loan agreement with the Borrower pursuant to which the Borrower may in certain circumstances draw funds to satisfy its obligations to Unit Holders in relation to the income swap arrangements with unit holders. This loan agreement can be relied on by the Lender.

12.5 ***Aareal Vondelpark, Amsterdam Facility***

On 29 August 2008, PHRE as borrower, PHM and PHH as guarantors and Aareal Bank entered into a Dutch law governed €21 million term loan (the "Parkvondel Facility").

The Parkvondel Facility has been made available to refinance a €18.5 million secured term facility agreement between PHRE, PHM and PHH and NIBC Bank N.V., dated 25 January 2006.

The Parkvondel Facility is to be repaid in quarterly instalments, with the first instalment payable on 30 September 2009 and the final instalment on the date falling five years after the drawdown date.

Interest consists of a margin (being 1.65 per cent. subject to adjustments) and EURIBOR. Upon late payment of any amount payable under the Parkvondel Facility, a default interest of (in principle) 1.25 per cent. per calendar month will be due. Interest is payable on the last day of each interest period.

The security for the Parkvondel Facility consists of:

(a) a Dutch law mortgage over Park Plaza Parkvondel, Amsterdam;

(b) a Dutch law share pledge of the shares in PHRE;

(c) a Dutch law share pledge of the shares in PHM;

(d) a Dutch law share pledge of the shares in PHH;

(e) a German law pledge over all rights and claims of PHRE under a certain deposit account;

(f) a Dutch law bank account pledge over certain bank accounts (including the operating account and the general account and the FF&E account);

(g) a Dutch law pledge of the rights of PHRE and PHM under certain operating agreements;

(h) a Dutch law pledge over FF&E and other moveable assets of PHRE and PHM;

(i) a Dutch law pledge over the rights and claims of PHRE and PHM in connection with certain insurances;

(j) a Dutch law pledge over the rights and claims of PHRE under certain lease agreements;

(k) a Dutch law pledge over the rights and claims of PHRE under certain hedging agreements;

(l) a Dutch law subordination and intercreditor agreement; and

(m) a Dutch law shortfall guarantee issued by the Company.

The Parkvondel Facility also contains provisions for mandatory prepayment: (i) on the disposal of Park Plaza Parkvondel, (ii) on a change of control in respect of PHRE, PHM or PHH (unless such change of control has been approved by Aareal Bank, which approval shall not unreasonably be withheld), or (iii) if Park Plaza Parkvondel, Amsterdam is destroyed or damaged to such an extent that is deemed to be a total loss under any of the relevant insurances. In addition, the Borrowers shall in such event pay, break costs, a prepayment fee and a penalty fee.

The Parkvondel Facility contains certain representations, undertakings, covenants and events of default, including (amongst others) undertakings restricting each of PHRE, PHH and PHM from undertaking certain acquisitions and investments, paying dividends or making any other distributions (other than permitted dividends), changing the conduct of its business or changing its articles of association. Furthermore, the Parkvondel Facility contains a specific undertaking in respect of the real property (e.g. in connection with amendments to the property, the insurance of the property, the maintenance of the property and the operation of the hotel business).

Certain fees are payable in relation to the Parkvondel Facility, including certain prepayment fees.

The Parkvondel Facility contains two financial covenants:

(1) that the loan to value ratio does not at any covenant test date (i.e. last day of any quarter in a calendar year) exceed 70 per cent. (loan to value being at any time, the aggregate amount of the loan at such time, expressed as a percentage of the market value of the property); and

(2) that the debt service cover ratio is not as a any covenant test date lower than one hundred and twenty per cent. (debt service cover ratio being at any time, the net operating income as a percentage of annual finance costs at that time).

12.6 ***Laguna Facility***

On 2 August 2010, the Company acquired the entire issued share capital of Waterford Investments Limited ("Waterford").

Waterford's principal assets are:

12.6.1 the freehold of Park Plaza Leeds (held through Waterford's wholly-owned subsidiary, Laguna Estates (Leeds) Limited ("Laguna")).

12.6.2 a long lease of the main site of Park Plaza Nottingham which runs until 2145 (held through Waterford's wholly-owned subsidiary, Katmandu Limited ("Katmandu")); and

12.6.3 a long lease of land for storage use adjoining Park Plaza Nottingham which runs until 2061 (held through Katmandu).

On 3rd August 2010, Laguna (as Borrower) entered into an amendment agreement in relation to a £15 million term facility with the Royal Bank of Scotland plc (as Lender) originally dated 23 January 2004 (as amended by an amendment agreement dated 4 March 2004 and an amendment letter dated 15 May 2006 and as further amended from time to time) (the "Laguna Facility Agreement").

Immediately prior to completion of the acquisition of Waterford, the Company provided Laguna with the funds to enable a reduction in the amount outstanding under Tranche A of Laguna Facility Agreement by £1.25 million, which was a condition of the Lender's consent to the change of control of Waterford.

The facility is repayable on 23 January 2019.

A guarantee in relation to the Laguna Facility Agreement has been provided by Waterford.

The Laguna Facility Agreement is split into three tranches: A, B, and C. The "Tranche A Facility" is a sterling term loan in an amount up to £12.6 million; the "Tranche B Facility" is a sterling term loan up to £2.2 million (or higher, subject to clause 5.2 of the Facility Agreement); and the "Tranche C Facility" is a sterling term loan in an amount up to £0.2 million.

Following amendment, the £11.3 million Tranche A Facility and Tranche C Facility together carry a variable interest of three month LIBOR plus 1.3 per cent. per annum and the £2.3 million Tranche B Facility carries a variable interest of three month LIBOR plus 1.7 per cent. per annum. The Interest Payment Dates are 15 January, 15 April, 15 July and 15 October.

In addition, the Borrower has entered into an interest rate swap swapping the variable interest rates originally set out in the Laguna Facility Agreement (a variable interest rate of three month LIBOR on the amount of £15.0 million, with fixed quarterly interest payments), to a rate of 5.13 per cent. for the period until January 2019.

The following financial covenants are applicable to the Laguna Facility Agreement:

12.6.4 The sum of Tranche A Facility and Tranche C Facility must not exceed 75 per cent. of the current Valuation (based on Market Value with vacant possession);

12.6.5 The sum of Tranche A Facility, Tranche B Facility and Tranche C Facility must not exceed 90 per cent. of the current Valuation (based on Market Value with vacant possession); and

12.6.6 The adjusted Rental Income paid to the Borrower during each 3-month period specified in a Rent Report must be at times during that period be 100 per cent. of the Borrowing Costs of the Borrower during such period.

In addition, the Lender may request a Valuation at any time if the Lender believes that an Event of Default is outstanding of the Lender reasonably believes that an Event of Default is likely to occur at any time thereafter or no more than 3-yearly. The Lender can call for new (or update) Valuation at any time at its own cost. As regards valuations in general, the approved valuer is DTZ Debenham Tie Leung (or any successor firm).

12.7 ***Katmandu Facility***

On 3 August 2010, Katmandu (as borrower) entered into an amendment agreement in relation to a £6,027,000 term facility with National Westminster Bank PLC (as lender) (currently with the Royal Bank of Scotland plc) and Sandbach Investments Limited (as guarantor) dated 8 February 2002 (the "Katmandu Facility Agreement").

The Katmandu Facility Agreement is a Sterling term loan facility, with advances up to £6,027,000.

Repayment is specified by reference to a schedule issued by the Lender immediately prior to the drawdown of the loan. The final repayment date is the 25th anniversary of the drawdown date of the first advance.

The Katmandu Facility Agreement initially carried a variable interest of three month LIBOR plus a 1.3 per cent. margin per annum and is repayable in 2027.

In 2004, the Borrower entered into a swap agreement with the Royal Bank of Scotland plc as Hedging Counterparty to fix the variable interest under the Katmandu Facility Agreement to an interest rate of 5.54 per cent. for the period until April 2027.

Interest Payment Dates are defined in the Katmandu Facility Agreement as 15 January, 15 April, 15 July and 15 October.

Under the financial covenants, the following ratios apply at all times following the first drawdown date:

12.7.1 The loan shall not exceed 60 per cent. of the then current Valuation; and

12.7.2 adjusted rental income paid to the Borrower during each 3-month period specified in a rent report must be at all times during that period, 100 per cent. of the borrowing costs (interest, fees and hedging costs) of the Borrower during such period.

The Lender may request a Valuation at any time if it believes that an Event of Default is outstanding or that an Event of Default is likely to occur at any time thereafter. The Lender can call for new (or update) Valuation at any time at its own cost.

As regards valuations in general, the approved valuer is Jones Lang LaSalle (or another firm approved by the Lender) and a "Valuation" means the most recent valuation on an open market value basis.

13. Related party transactions

Save as set out in Note 29 to the financial information in Part V of this document and in sections 13.1 to 13.4 inclusive of this Part VII, there were no transactions between the Company and its related parties during the years ended 31 December 2008, 2009 and 2010 and from 1 January 2011 to the date of this document.

13.1 ***The Relationship Agreements***

On 28 June 2007, the Company entered into two Relationship Agreements with Euro Plaza and Molteno respectively which were amended by side letters dated 16 June 2011. Under the agreements each of Euro Plaza and Molteno has agreed that all arrangements between it and its respective associates on the one hand and each member of the Group, on the other hand, will be on arms' length terms and that the Board will operate independently of Euro Plaza and Molteno and all decisions taken by the Board will be made for the benefit of Shareholders as a whole. Pursuant to the agreements Euro Plaza has the right, for so long as it controls at least 30 per cent. of the issued share capital of the Company, to appoint two Directors, falling to one Director where its percentage holding is between 15 per cent. and 30 per cent.. Molteno has the right to appoint one Director for so long as it controls at least 15 per cent. of the issued share capital of the Company. In addition, whilst Eli Papouchado and Boris Ivesha are members of the Board they will be deemed as appointees of Euro Plaza and Molteno respectively. Euro Plaza has granted the Group a right of first refusal to manage all hotels situated within the territory governed by the Territorial Licence Agreement as at 17 July 2007 (the date of the Company's admission to AIM) and acquired by Euro Plaza or any of its associates following such date. This right does not apply to any hotels owned by Euro Plaza or any of its associates prior to 17 July 2007 or that were subject to prior agreements in existence at 17 July 2007. Each of Euro Plaza and Molteno has also agreed not to solicit senior employees or officers of the Group.

13.2 ***The acquisition of interests in Park Plaza Nottingham and Park Plaza Leeds***

See the summary of the acquisition of the interests in Park Plaza Nottingham and Park Plaza Leeds and associated loans set out in section 11.7 of this Part VII headed "Share purchase agreements relating to interests in Park Plaza Nottingham and Park Plaza Leeds".

13.3 ***Indemnity to Southern***

On 23 March 2011, the Company entered into a deed of indemnity in favour of Southern (which is part of the Red Sea Group in which Mr Papouchado and members of his family are interested) in connection with the under lease of Park Plaza Sherlock Holmes London.

The lease is held by Grandis and is for a period of 99 years from 29 September 1996. As part of the terms for the grant of the lease in 2000, Grandis' obligations under the lease were guaranteed by Southern (which at the time owned Grandis). In July 2007, the Company acquired the Red Sea Group's interest in the joint venture with Elbit (including its 55 per cent. interest in Grandis) but the release of Southern's guarantee of Grandis' obligations under the lease was overlooked. Following the acquisition by the Group of Elbit's interest in the joint venture in December 2010 (as described in section 11.6 of this Part VII), Southern released Elbit from its indemnity in respect of Grandis' obligations under the lease and, accordingly, became the sole guarantor of Grandis' obligations.

The Company entered into a £165 million facility with Aareal Bank in November 2010 (as described in further detail in section 12.1 of this Part VII headed "Financing facilities — Aareal Bank Facility"). It was not practicable to grant security over Park Plaza Sherlock Holmes London at the time because of the need to obtain the consent of the freeholder, Central London Investments Limited ("CLIL"). Accordingly, the part of the facility relating to Park Plaza Sherlock Holmes London currently bears a higher rate of interest to the remainder of the Aareal facilities since it is not secured. CLIL agreed to consent to Grandis granting security over the lease to Aareal (substantially reducing the interest rate payable by the Company on the relevant part of the facility) if Southern acknowledged its guarantee of Grandis' obligations under the lease remains in full force and effect. Southern agreed to give such acknowledgement in return for the Company providing it with an indemnity in respect of any liability which it may incur in respect of Grandis' obligations under the lease.

13.4 ***Gear***

In April 2007, Marlbray entered into a contract with Gear for the construction and fit-out (on a "turn key" basis) of Park Plaza Westminster Bridge London which has been subsequently amended in February 2008 (to take account of planning permission being received for additional rooms to be constructed) and in March 2010 (to vary the bonus arrangement payable to Gear so that such a bonus would be payable by reference to when the construction work for each floor of the hotel was completed, rather than by reference to completion of the hotel as a whole, as was previously the case). The construction is now complete, however, various payment obligations remain outstanding. The total construction costs pursuant to the contract totalled approximately £186.0 million (€209.6 million). In addition, as a result of the amendment in March 2010, an early completion bonus of £6.07 million is due to Gear. The balance outstanding as at the date of this document under this contract as amended is £11.2 million.

14. United Kingdom taxation

The following statements are of a general and non-exhaustive nature based on the Directors' understanding of certain aspects of current United Kingdom tax law and practice as at the date of this document, both of which are subject to change, potentially with retroactive effect, which could adversely affect the returns from the Company to Shareholders. These statements do not purport to be a complete analysis or listing of all the potential United Kingdom tax consequences of the acquisition, ownership and disposal of Shares. They are intended to apply only to Shareholders who are resident or ordinarily resident in the United Kingdom for United Kingdom tax purposes, who hold the Shares as capital investments and who are the beneficial owners of the Shares. The statements may not apply to certain classes of Shareholders such as dealers in securities, insurance companies and collective investment schemes.

Any change in the Group's tax status or changes in tax legislation or tax treaties negotiated by those countries in which the Group operates, or in taxation legislation or taxation practice in Guernsey, the United Kingdom or any other tax jurisdiction affecting shareholders could affect the value of investments held by the Group or affect the Company's ability to pay dividends or alter the post-tax returns to Shareholders. Shareholders and prospective purchasers of Shares, who are in any doubt as to their tax position or who are or may be resident or otherwise subject to tax in a jurisdiction other than the United Kingdom should consult their own tax advisers on the potential tax consequences of holding, purchasing or selling Shares under the laws of their country and/or state of citizenship, domicile or residence.

14.1 ***Classification of securities for tax purposes***

On Admission, the Shares will be treated as "listed" or "quoted" securities for the purposes of UK capital gains tax. Admission of the Shares to the Official List will not constitute a disposal of the Shares held by existing Shareholders. However, as the Shares will no longer be listed on AIM, this could have an adverse impact on certain tax reliefs, such as the availability of relief from inheritance tax, for individual Shareholders. Shares that are listed on AIM may qualify for business property relief (a relief from UK inheritance tax), depending on the circumstances of the Shareholder. However, Shares listed on the Official List will no longer benefit from business property relief from inheritance tax. Individual Shareholders who are in any doubt about the impact of this change on their tax position should obtain detailed tax advice from their own professional advisers.

14.2 ***The affairs of the Company***

The statements in the following sub-sections of this section 14 of this Part VII are based on the assumption that the Company is not, and will not become, resident in the UK for tax purposes.

The Directors intend to conduct the affairs of the Company in such a manner as to minimise, so far as they consider reasonably practicable, taxation suffered by the Company. This will include conducting the affairs of the Company so that it does not become resident in the United Kingdom for taxation purposes. Accordingly, and provided that the Company does not carry on a trade in the United Kingdom (whether or not through a permanent establishment situated therein), the Company will not be subject to United Kingdom income tax or corporation tax other than on United Kingdom source income.

14.3 ***UK taxation of dividends***

No tax will be withheld by the Company when it pays dividends under current United Kingdom tax legislation.

14.3.1 *Individual Shareholders*

An individual Shareholder, who is resident in the United Kingdom for United Kingdom tax purposes, or carrying on a trade in the United Kingdom through a branch or an agency, and who receives a dividend from the Company may, depending on his circumstances, be liable to United Kingdom income tax in respect of the amount of that dividend. A UK resident individual Shareholder who owns less than 10 per cent. of the Company's issued share capital will be entitled to a non-refundable tax credit in respect of any dividend paid by the Company on that Shareholder's Shares equal to one-ninth of the amount of the dividend received by the Shareholder. The tax credit therefore equals 10 per cent. of the aggregate amount of the dividend and the associated tax credit. Liability to UK income tax is calculated on the sum of the dividend and the associated tax credit. The tax credit will be available to offset such a Shareholder's liability to income tax on the dividend.

The effect of the dividend tax credit would be to extinguish any further income tax liability for eligible basic-rate taxpayers (who currently pay tax at the dividend ordinary rate of 10 per cent.). The effect for eligible higher-rate taxpayers (who currently pay tax at the dividend upper rate of 32.5 per cent.) would be to reduce their effective tax rate to 25 per cent. of the dividend actually received in respect of that Shareholder's Shares.

With effect from 6 April 2010, a new additional rate of income tax has been introduced for UK resident individuals with income in excess of £150,000. Such individuals will pay 42.5 per cent. tax on dividends received from the Company (reduced to 36.11 per cent. for eligible taxpayers as a result of applying the tax credit).

Individual Shareholders who are not eligible for the tax credit will be subject to income tax on the net dividend received at the rate of 10 per cent., 32.5 per cent., or 42.5 per cent. depending on whether they are basic-rate, higher-rate or additional-rate tax payers.

A Shareholder who is not liable to income tax on the dividend (or any part of it) is not able to claim payment of the tax credit (or part of it) in cash from HM Revenue & Customs.

14.3.2 *Corporate Shareholders*

UK resident corporate Shareholders which are medium or large companies will be liable to UK corporation tax in respect of any dividend received from the Company, unless the dividend falls within an exempt class and certain conditions are met. Whether an exempt class applies and the other conditions are met will depend on the circumstances of the Shareholder.

It is not expected that a UK resident corporate Shareholder which is a small company will qualify for exemption from corporation tax in respect of dividends received from the Company. Such a Shareholder will generally be liable to UK corporation tax on any dividends received from the Company. The standard rate of corporation tax is currently 26 per cent..

UK resident corporate Shareholders should take specific advice if they are in any doubt as to the application of the exemption to dividends paid by the Company to them.

14.3.3 *Non-resident Shareholders*

Shareholders who are not United Kingdom resident or ordinarily resident will not generally be liable to UK taxation in respect of dividends paid by the Company unless they hold Shares for the purposes of a trade which is carried on in the UK through a branch, agency or other permanent establishment in the UK. Persons who are not resident in the United Kingdom should consult their own tax advisers concerning their tax liabilities on dividends received from the Company.

14.4 ***Taxation on capital gains for Shareholders***

The Company is a closed-ended company incorporated in Guernsey and therefore the Company should not, as at the date of this document, be a "mutual fund" as defined in section 356 of the Taxation (International and Other Provisions) Act 2010. Accordingly, the provisions of Part 8 of the Taxation (International and Other Provisions) Act 2010 should not apply. For so long as the Company is not a mutual fund, any disposal of Shares by a Shareholder may give rise to a chargeable gain, rather than income, for United Kingdom tax purposes.

14.4.1 *United Kingdom resident Shareholders*

A disposal of Shares by a Shareholder who is (at any time in the relevant United Kingdom tax year) either resident or, in the case of an individual, ordinarily resident in the United Kingdom for United Kingdom tax purposes, may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom capital gains tax (in the case of an individual holder) or United Kingdom corporation tax on chargeable gains (in the case of a corporate holder), depending on the Shareholder's circumstances, and subject to any available exemption or relief.

Individual Shareholders who are resident or ordinarily resident in the United Kingdom but not domiciled in the United Kingdom may only be liable to United Kingdom capital gains tax to the extent that any sums from the disposal of the Shares are remitted to the United Kingdom.

For Shareholders within the charge to United Kingdom corporation tax, indexation allowance, may reduce a chargeable gain but not create or increase any allowable loss. Individuals may be entitled to an annual exemption, which is £10,600 for the tax year 2011-12.

If, after all allowable deductions, such an individual Shareholder's taxable income for the tax year exceeds the basic rate income tax limit, any chargeable gain accruing on a disposal of Shares by such an individual Shareholder will be taxed at 28 per cent. Chargeable gains accruing on such a disposal by other individual Shareholders who are resident or ordinarily resident for tax purposes in the UK will be taxed at 18 per cent., 28 per cent. or a combination of these rates, depending on that individual's circumstances.

14.4.2 *Non-United Kingdom resident Shareholders*

Shareholders who are not resident or ordinarily resident in the United Kingdom for tax purposes will not normally be liable to United Kingdom taxation on chargeable gains arising from a disposal of their Shares unless they carry on a trade, profession or vocation in the United Kingdom through a branch, agency or (in the case of a corporate Shareholder) a permanent establishment in the UK in connection with which the Shares are held, used or acquired. However, such Shareholders may be subject to taxation in other jurisdictions depending on their personal circumstances.

A Shareholder who is not resident in the United Kingdom for tax purposes but who carries on a trade, profession or vocation in the United Kingdom through a branch, agency or (in the case of a corporate Shareholder) a permanent establishment in the United Kingdom, may be liable to United Kingdom taxation on chargeable gains on a disposal of Shares which are or have been used, held or acquired for the purposes of the trade, profession, or vocation or for the purposes of the branch, agency or permanent establishment.

A Shareholder who is an individual and who ceases to be resident or ordinarily resident in the United Kingdom for United Kingdom tax purposes for a period of less than five years and who disposes of the Shares during that period may also be liable on his return to the United Kingdom for United Kingdom capital gains tax (subject to any available exemption or relief), notwithstanding the fact that the individual may not be resident or ordinarily resident in the United Kingdom for United Kingdom tax purposes at the time of the disposal.

14.5 ***Stamp duty and stamp duty reserve tax ("SDRT")***

14.5.1 The following comments are intended as a guide to the general stamp duty and stamp duty reserve tax position and do not relate to persons such as market makers, brokers, dealers or intermediaries or where the Shares are issued to a depository or clearing system or its nominee or agent.

14.5.2 Provided that no register of members of the Company is kept in the United Kingdom by or on behalf of the Company (which the Company does not intend to do), no United Kingdom SDRT should be payable on any agreement to transfer the Shares. Further, United Kingdom stamp duty should not be payable on the transfer of the Shares provided the instrument of transfer is not executed in the United Kingdom and there is no matter or thing done in the United Kingdom.

14.5.3 The transfer of Shares into CREST for no consideration should not give rise to stamp duty or stamp duty reserve tax.

14.6 ***Other United Kingdom tax considerations***

14.6.1 *Controlled foreign company provisions*

United Kingdom resident companies, together with connected or associated persons, having an interest in the Company, such that 25 per cent. or more of the Company's profits for an accounting period could be apportioned to them, may be liable to United Kingdom corporation tax in respect of their share of the Company's undistributed profits, if any, in accordance with the provisions of Chapter IV of Part XVII of the Income and Corporation Taxes Act 1988 relating to controlled foreign companies. These provisions only apply if the Company is controlled by United Kingdom residents. Shareholders should be aware that the controlled foreign companies regime is the subject of an ongoing consultation on reform by the UK Government. Although the scope of any reform cannot be accurately predicted, it is anticipated that full changes to the regime will be introduced by Finance Bill 2012.

14.6.2 *Avoidance of income tax by transactions resulting in the transfer of income to persons abroad*

Individuals who are ordinarily resident in the United Kingdom should note that Chapter 2 of Part 13 of the Income Tax Act 2007, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad, may render them liable to taxation in respect of any undistributed profits of the Company.

14.6.3 *Attribution of capital gains to shareholders who own more than 10 per cent. of the Shares*

The attention of United Kingdom Shareholders resident or ordinarily resident and, if an individual, domiciled in the United Kingdom, is drawn to the provisions of Section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to a Shareholder who holds, alone or together with associated persons, more than 10 per cent. of the Shares.

14.6.4 *Individual Savings Accounts ("ISAs") and Personal Equity Plans ("PEPs")*

Shares in the Company will be eligible to be held in the stocks and shares component of an ISA or an existing PEP.

14.6.5 *Self-invested Personal Pension Schemes ("SIPPs")*

Shares in the Company may be held for the purpose of a SIPP where such Shares are considered suitable investments by the scheme administrator.

15. Guernsey taxation

15.1 ***The Company***

In response to the review carried out by the European Code of Conduct Group, the States of Guernsey has, with effect from 1 January 2008, abolished exempt status for tax purposes for a majority of companies in Guernsey and introduced a zero rate of tax for companies carrying on all but a few specified types of regulated business (including banking business or the provision of credit facilities to the public which is taxable at the intermediate rate of 10 per cent.) or where income is derived from the ownership of land and buildings situated in Guernsey and thus remains taxable at 20 per cent. However, because collective investment schemes were not one of the regimes in Guernsey that were classified by the European Union Code of Conduct Group as being harmful, companies qualifying as collective investment schemes continue to be able to apply for exempt status for Guernsey tax purposes after 31 December 2007.

Tax residence is determined by virtue of incorporation or Guernsey shareholder control. A company may also become liable to Guernsey income tax if it is conducting a trade or business in the Bailiwick or if it has a Guernsey source of income.

The Company is considered resident for tax purposes in Guernsey and is subject to the company standard rate of income tax of zero per cent.

A further consequence of the changes to the tax law is that there is now an obligation on the Company, when it makes distributions, and in the case of certain deemed distribution events, to report those events to the Director of Income Tax in Guernsey on a six monthly basis and to withhold and account for tax where those distributions are being made to Guernsey tax resident "beneficial members". The deemed distribution withholding only applies to resident individuals only with an interest greater than 1 per cent..

Provided the beneficial member is not resident in Guernsey then the Company's distributions can be made without further deduction of withholding tax. There is no requirement for the Company to withhold Guernsey tax on any interest payments made, subject to the comments below concerning the application of the EU Savings Tax Directive.

In keeping with its ongoing commitment to meet international standards, the States of Guernsey are currently undertaking a review of its tax regime with the expectation of implementing any required revisions to the regime in the period between 2012 and 2015. At this point in time, the key features of any revised regime have yet to be determined. It is currently not anticipated that there will be any change to the current exemption for collective investment schemes.

Guernsey does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover, nor are there any estate duties, save for a small ad valorem fee for the grant of probate or letters of administration. No stamp duty is chargeable in Guernsey on the issue, transfer or redemption of shares.

15.2 **EU Savings Tax Directive**

Since 1 July 2005, Guernsey and the EU Member States have entered into agreements (the "Guernsey Savings Tax Agreements") on the taxation of savings income. On the basis of such agreements, Guernsey introduced a system whereby withholding tax (called retention tax) is levied on interest payments or other similar income paid by a paying agent within Guernsey to individuals resident in the contracting EU Member States on or after 1 July 2005, unless such EU resident individual has either:

(a) expressly authorised the paying agent to report the interest payment to the Director of Income Tax of Guernsey, or

(b) presented to the paying agent a certificate drawn up in the name of the individual by the competent authority of the contracting Member State of that individual's residence.

The current rate of retention tax is 20 per cent.

On 24 November 2010, Guernsey approved proposals to move to automatic exchange of information in relation to such interest payments. Accordingly, with effect from 1 January 2011, a paying agent in Guernsey may elect not to deduct retention tax from interest payments made on or after 1 January 2011 but before 1 July 2011, provided that the paying agent reports any such interest payment to the Director of Income Tax in Guernsey in the same manner as if the individual had expressly authorised the paying agent to do so. From 1 July 2011 paying agents in Guernsey must not deduct retention tax but must report any such interest payment made to the Director of Income Tax in Guernsey.

The European Commission has recently adopted a proposal to amend the EU Savings Tax Directive, with a view to closing existing loopholes and eliminating tax evasion. These changes broadly relate to the scope of, and mechanisms implemented by, the EU Savings Tax Directive. If these changes are implemented, the position of Shareholders in relation to the EU Savings Tax Directive could be different to that set out above.

15.3 **Shareholders**

Non-Guernsey resident Shareholders will receive dividends without deduction of Guernsey income tax. Any Shareholders who are resident in Guernsey, Alderney or Herm will incur Guernsey income tax on any dividends paid on Ordinary Shares owned by them and will be subject to a deduction of tax by the Company from any such dividends payable by the Company. The rate at which the Company is required to deduct tax is 20 per cent. on distributions and, where appropriate, on deemed distributions.

Deemed distributions arise on investment income and certain trigger events such as the disposal of the company shares, amalgamation, or death or migration or the shareholder. Distributions and deemed distributions are for investment companies reported and tax deducted at six monthly intervals, i.e, the end of June and December.

16. Working capital

The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is at least for the period of 12 months from the date of this document.

17. Litigation

17.1 Save as disclosed in sections 17.2 to 17.4 of this Part VII, there are no governmental, legal, or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on the Company and/or Group's financial position or profitability.

17.2 Grandis, a wholly-owned subsidiary of the Company, has an underlease of Park Plaza Sherlock Holmes London. The underlease contains a mechanism for the review of the rent payable under the lease at regular five yearly intervals. The current rent review date is 29 September 2006. The passing rent is £650,000, and the landlord ("Superior Landlord") is seeking to increase it. An arbitrator has been appointed to determine what the reviewed rent should be. The arbitration is between Grandis' immediate landlord ("Immediate Landlord") and the Superior Landlord. Grandis is conducting the arbitration on behalf of the Immediate Landlord as, under the terms of its underlease, it will ultimately be liable for the payment of any increased rent. If an increased rent becomes payable, Grandis will be required to pay the balance of rent due from 29 September 2006 plus interest, plus the increased rent going forward in accordance with the terms of the underlease, subject to the further review as at 29 September 2011. Depending on the outcome of the review, Grandis could be liable to pay a proportion of the Superior Landlord's legal costs as well. The earliest that Grandis can terminate its underlease is in 2059. On the basis of advice received from legal and other advisers, the Company estimates Grandis' maximum financial exposure for any additional rent due in respect of the rent review period and associated costs, less provisions made in the financial statements for the relevant years, to be no more than £2.5 million.

The Directors believe that the provisions made in the financial statements are sufficient to cover additional rent (if any) that is awarded to be paid.

17.3 In connection with the development and sale by the Group of units in Park Plaza Westminster Bridge London ("Units"), the Group received deposits from prospective purchasers in respect of 865 pre-sold Units of up to 25 per cent. of the contracted sale price.

Sales of 535 of the Units completed during December 2010 however the remaining 330 Unit sales failed to complete. As a result, the Group rescinded the sale agreements in respect of these Units and forfeited the deposits and accrued interest. Certain of the prospective purchasers who failed to complete the acquisition of Units have indicated that they may instigate proceedings seeking recovery of the forfeited deposits. As at the date of this document, however no formal proceedings have been commenced by defaulting purchasers for the release of the deposit. The Group has however issued proceedings against certain defaulting purchasers for a declaration that their deposits are forfeit plus damages and interest. The total amount of forfeited deposits is approximately £14.9 million. Having taken legal advice, the Company is confident that the actions it has taken are in accordance with the relevant sale agreements.

17.4 In April 2007, PPHE entered into a territorial license agreement with Global V Hospitality Inc. ("GVH") (the "Agreement"), granting GVH the right to use certain brands in each of Egypt, Morocco and the Gulf States (being the United Arab Emirates, Qatar, Bahrain, Kuwait, Oman and Saudi Arabia) (the "Territories"). Pursuant to the Agreement, GVH had an obligation to meet certain development targets in the Territories throughout the term of the Agreement. In June 2010, PPHE served notice on GVH terminating the Agreement for breach as a result of GVH's failure to meet these development targets and requested that GVH immediately cease and desist using the brands in the three hotels which had, or were shortly to be, opened by GVH (i.e., Park Plaza Doha, art'otel marrakech and Park Plaza Marrakech). GVH challenged the grounds for termination and in December 2010 threatened to commence arbitration proceedings to fulfil the Agreement and to seek damages for the losses suffered by it as a result of the termination of the Agreement. GVH indicated that it believed it had suffered damages in an amount of US$107,386,422. No further correspondence or formal particulars of claim have been received from GVH in relation to this threatened arbitration since January 2011 and the Directors believe on the basis of legal advice that the Group has properly terminated the Agreement in accordance with its terms.

18. No significant change

On 1 June 2011, Marlbray signed an agreement to refinance the existing facility for Park Plaza Westminster Bridge London with Bank Hapoalim for a further seven years until 1 June 2018. Further details are set out in section 12.4 of this Part VII headed "Bank Hapoalim facility — Marlbray facility agreement". Other than this, there has been no significant change in the financial or trading position of the Group since 31 December 2010.

19. Consents

19.1 Ernst & Young LLP, of PO Box 9, Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey GY1 4AF, has given and not withdrawn its written consent to the inclusion of the accountant's report in Part V of this document and the references thereto and to its name in the form and context in which they are included in this document. Ernst & Young LLP has no material interest in the Company.

19.2 Colliers, Chartered Surveyors of 9 Marylebone Lane, London W1U 1HL, has given and not withdrawn its written consent to the inclusion of the valuation report in Part A of Part VI of this document and the references thereto and to its name in the form and context in which they are included in this document. Colliers has no material interest in the Company.

19.3 Savills, Chartered Surveyors of 20 Grosvenor Hill, London W1X 3HQ, has given and not withdrawn its written consent to the inclusion of the valuation report in Part B of Part VI of this document and the references thereto and to its name in the form and context in which they are included in this document. Savills has no material interest in the Company.

20. General

20.1 Save as otherwise disclosed in section 4 of Part I headed "The Group's brands and intellectual property rights" and section 11.3 of Part VII headed "Material contracts — The Territorial Licence Agreement", there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.

20.2 Save as otherwise disclosed in this document, no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years immediately preceding the date of this document.

20.3 Save as disclosed in sections 4, 6 and 11.6 of this Part VII headed "The Park Plaza Hotels Limited Executive Share Option Plan", "Directors' and senior managers' interests in shares" and "Material contracts — Purchase agreement relating to interests in, and related loans to, Park Plaza Sherlock Holmes London, Park Plaza Victoria London and Park Plaza Riverbank London" respectively, no share or loan capital of the Company or any other member of the Group will be under option or will be agreed conditionally or unconditionally to be put under option.

20.4 The Company confirms that no material change has occurred to the value of:

20.4.1 Park Plaza Westminster Bridge London since 17 December 2010 being the valuation date for valuation report prepared by Colliers set out in Part A of Part VI of this document; and

20.4.2 the properties valued in the valuation report prepared by Savills set out in Part B of Part VI of this document since 7 June 2011, being the valuation date for that valuation report.

21. Documents for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) at the offices of Norton Rose LLP at 3 More London Riverside, London SE1 2AQ for the life of this document until admission:

(a) the memorandum of incorporation of the Company and the Articles;

(b) the report prepared by Ernst & Young LLP set out in Part V of this document and referred to in section 19.1 of this Part VII;

(c) the reports prepared by Colliers and Savills set out in Parts A and B respectively of Part VI of this document and referred to in sections 19.2 and 19.3 of this Part VII;

(d) the letters referred to in sections 19.1, 19.2 and 19.3 of this Part VII;

(e) the audited consolidated accounts of the Group for the three financial years ended 31 December 2010; and

(f) this document.

Dated 24 June 2011

DEFINITIONS

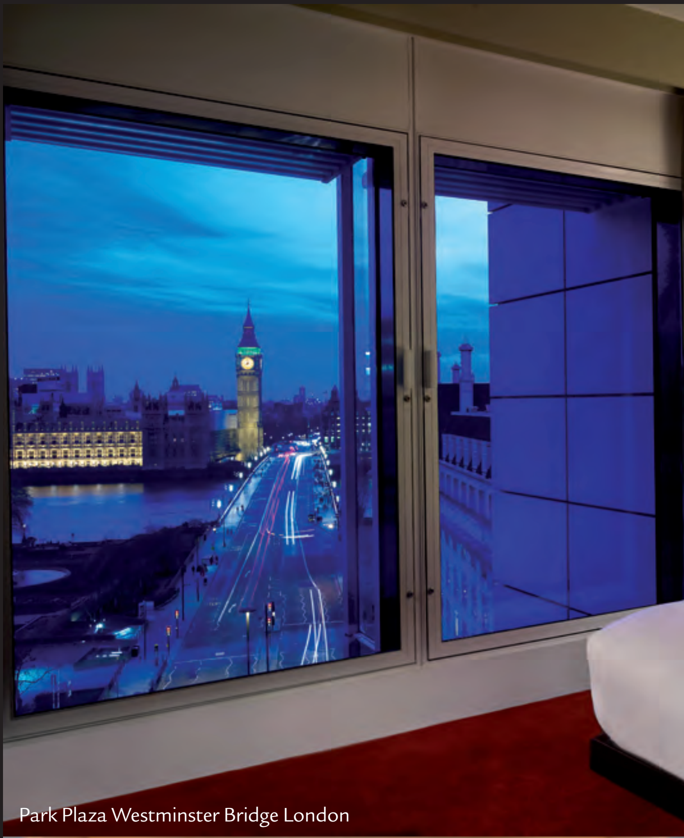
The following definitions apply throughout this document, unless the context otherwise requires:

"**2006 Act**"	the Companies Act 2006 (UK) (as amended)
"**Admission**"	the admission of the Shares to the standard listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, and a reference to Admission becoming effective is to be construed in accordance with the Listing Rules and the "Admission and Disclosure Standards" of the London Stock Exchange (as applicable)
"**ARR**"	average room rate
"**Aareal Bank**"	Aareal Bank AG
"**AIM**"	the AIM market operated by the London Stock Exchange
"**Arenaturist**"	Arenaturist, d.d., a Croatian public company listed on the Croatian Stock Exchange
"**Arenaturist Group**"	Arenaturist and three private companies owned by Bora, which together own, or have ownership interests in, the Arenaturist Resorts
"**Arenaturist Resorts**"	eight hotels, five apartment complexes and eight campsites in Istria, Croatia
"**art'otel Acquisition Agreement**"	the agreement dated 4 May 2007 between PPHE and PPHEG as buyers and CCS as seller in relation to the sale and purchase of the art'otel brand, further details of which are set out in section 11.4 of Part VII of this document
"**Articles**"	the articles of incorporation of the Company approved by Shareholders on 16 June 2011 and to be adopted on Admission, a summary of which is set out in section 5 of Part VII of this document headed "Memorandum and Articles"
"**Broker**"	Investec
"**Bora**"	WH/DMREF Bora B.V., the parent company of the Arenaturist Group, in which Euro Sea has a 20 per cent. interest
"**BVI**"	British Virgin Islands
"**Carlson**"	Carlson Hotels Worldwide, Inc., either alone or together with one or more of its affiliates
"**CCS**"	CCS Capital Concept Service GmbH, a company controlled by the family of the founder of the art'otel brand
"**certificated**" or "**in certificated form**"	not in uncertificated form (that is, not in CREST)
"**Colliers**"	Colliers International UK plc
"**Companies Law**"	the Companies (Guernsey) Law 2008 (as amended)
"**Company**"	Park Plaza Hotels Limited
"**Corporate Governance Code**"	the UK Corporate Governance Code published in June 2010 by the Financial Reporting Council (as amended)
"**CREST**"	the facilities and procedures for the time being of the relevant system of which Euroclear has been approved as operator pursuant to the Uncertificated Securities Regulations 2001 (as amended) (SI 2001/3755) of the United Kingdom

"**CREST Guernsey Regulations**"	rule 8 and such other rules and requirements of Euroclear as may be applicable to issuers, as from time to time specified in the CREST Manual
"**CREST Manual**"	the compendium of documents entitled CREST Manual issued by Euroclear from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, CREST Rules, CCSS Operations Manual, and the CREST Glossary of Terms
"**CREST Regulations**"	the Uncertificated Securities Regulations 2001 (as amended) (SI 2001/3755) and the CREST Guernsey Requirements
"**CRS**"	the Carlson Central Reservation System
"**Directors**" or "**Board**"	the directors of the Company as at the date of this document, whose names are set out on page 21 of this document
"**Disclosure and Transparency Rules**"	the Disclosure and Transparency Rules of the FSA (as amended)
"**EBITDA**"	earnings before interest, tax, depreciation, amortisation
"**EBITDAR**"	earnings before interest, tax, depreciation, amortisation and rental expenses
"**Elbit**"	Elbit Imaging Ltd
"**Elscint**"	Elscint N.V. a wholly-owned subsidiary of Elbit
"**EMEA**"	Europe, the Middle East and Africa
"**EU**"	European Union
"**Euroclear**"	Euroclear UK & Ireland Limited, the operator of CREST
"**Euro Plaza**"	Euro Plaza Holdings B.V.
"**Euro Sea**"	Euro Sea Hotels N.V.
"**Executive Directors**"	the Executive Directors of the Company from time to time being, as at the date of this document, Boris Ivesha and Chen Moravsky
"**FSA**"	the Financial Services Authority of the United Kingdom (or such successor authority)
"**FSMA**"	the Financial Services and Markets Act 2000 as amended
"**GDP**"	gross domestic product
"**Gear**"	WW Gear Construction Limited, a member of the Red Sea Group
"**Golden Wall**"	Golden Wall Investment Ltd
"**Grandis**"	Grandis Netherlands Holding B.V.
"**Group**"	the Company and its subsidiary undertakings
"**IFRS**"	International Financial Reporting Standards
"**Introduction Agreement**"	the agreement dated the date of this document between the Company, the Directors and Investec relating to the application for Admission, details of which are set out in section 11.1 of Part VII of this document headed "Material contracts — The Introduction Agreement"
"**Investec**"	Investec Investment Banking, a division of Investec Bank plc
"**Leno**"	Leno Hotel Holding B.V.
"**Jointly Owned Entities**"	the companies owned jointly by the Group and Elbit

"**LIBOR**"	London interbank offer rate
"**Listing Rules**"	the rules and regulations made by the FSA under Part VI of FSMA
"**London Stock Exchange**"	London Stock Exchange plc
"**Mandarin Hotel**"	The Mandarin Hotel B.V.
"**Marlbray**"	Marlbray Limited
"**MENA**"	Middle East and North Africa
"**Molteno**"	Molteno Limited
"**Nomination Committee**"	the nomination committee of the Board
"**Non-Executive Directors**"	the Non-Executive Directors of the Company from time to time being, as at the date of this document, Eli Papouchado, Elisha Flax, Nigel Jones and Kevin McAuliffe
"**Official List**"	the Official List of the UKLA
"**PDMRs**"	persons discharging managerial responsibilities within the Group being, as at the date of this document, the Directors and senior managers of the Group
"**PHH**"	ParkVondel Hotel Holding B.V.
"**PHM**"	ParkVondel Hotel Management B.V.
"**PHRE**"	ParkVondel Hotel Real Estate B.V.
"**PPHE**"	Park Plaza Hotels Europe B.V.
"**PPHEG**"	Park Plaza Hotels Europe (Germany) B.V.
"**PPHE Holdings**"	Park Plaza Hotels Europe Holdings B.V.
"**PPHE Group**"	Park Plaza Holdings B.V.
"**Princeton Trust**"	the Princeton Trust, a discretionary trust established under the laws of the BVI by Boris Ivesha
"**projects**"	projects in relation to which the Group has entered into legally binding arrangements
"**Prospectus Rules**"	the rules published by the FSA under section 73A FSMA
"**Red Sea Group**"	the group of companies headed by A.P.Y. Investments & Real Estate Ltd., the ultimate controlling shareholder of which is Eli Papouchado, acting in his capacity as trustee of an endowment established under the laws of Israel for the benefit of his sons, Mr Yoav Papouchado and Mr Avner Papouchado (and, after their demise, their respective children) and of himself
"**Register of Members**"	the register of members of the Company
"**Registrar**"	Capita Registrars (Guernsey) Limited, the Company's registrar
"**Relationship Agreements**"	the agreements dated 28 July 2008 entered into between the Company and Euro Plaza and Molteno respectively, each as amended by side letters dated 16 June 2011 details of which are set out in section 13.1 of Part VII of this document headed "Related party transactions — The Relationship Agreements"
"**Remuneration Committee**"	the remuneration committee of the Board
"**RevPAR**"	revenue per available room
"**RIS**"	regulatory information service
"**Riverbank**"	Riverbank Hotel Holding B.V.

"**Riverbank Op**"	Riverbank Hotel Operator Limited
"**Savills**"	Savills Advisory Services Limited
"**Schiphol Victoria Hotel**"	Schiphol Victoria Hotel C.V.
"**Shareholders**"	holders of Shares
"**Share Option Plan**"	the Park Plaza Hotels Limited Executive Share Option Plan, details of which are set out in section 4 of Part VII of this document
"**Shares**"	ordinary shares of nil par value each in the capital of the Company
"**Sherlock Holmes PP**"	Sherlock Holmes Park Plaza Limited
"**Southern**"	Southern Hotels Holding & Investment Israel B.V., a member of the Red Sea Group
"**Subsidiary**"	as defined in section 1159 of the 2006 Act
"**Takeover Code**"	the UK City Code on Takeovers and Mergers
"**Takeover Panel**"	the Panel on Takeovers and Mergers in the UK
"**Territorial Licence Agreement**"	the Territorial Licence Agreement dated 30 September 2002 made between Park Global Holdings as licensor and Golden Wall as licensee, pursuant to which Golden Wall is granted an exclusive licence in relation to the Park Plaza Hotels & Resorts brand in 56 territories, details of which are set out in section 11.2 of Part VII of this document headed "Material contracts — Territorial Licence Agreement
"**UK Listing Authority**" or "**UKLA**"	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"**UK**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland
"**uncertificated**" or "**in uncertificated form**"	recorded in the register as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
"**US**", "**USA**" or "**United States**"	the United States of America, its territories and possessions, any state or political sub-division of the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America
"**Utrecht Victoria Hotel**"	Utrecht Victoria Hotel C.V.
"**Victoria**"	Victoria London Hotel Holding B.V.
"**Victoria Hotel**"	Victoria Hotel C.V., a Dutch limited partnership
"**Victoria HRI**"	Victoria Hotel and Restaurant Investment B.V.
"**Victoria HMRS**"	Victoria Monument B.V.
"**Victoria PP Op**"	Victoria Park Plaza Operator Limited
"**Victoria Pub**"	Victoria Pub Holding B.V.
"**Victoria Schipol**"	Victoria Schiphol Holding B.V.
"**Victory I**"	Victory Enterprises I B.V.
"**Victory II**"	Victory Enterprises II B.V.
"**Victory III**"	Victory Enterprises III B.V.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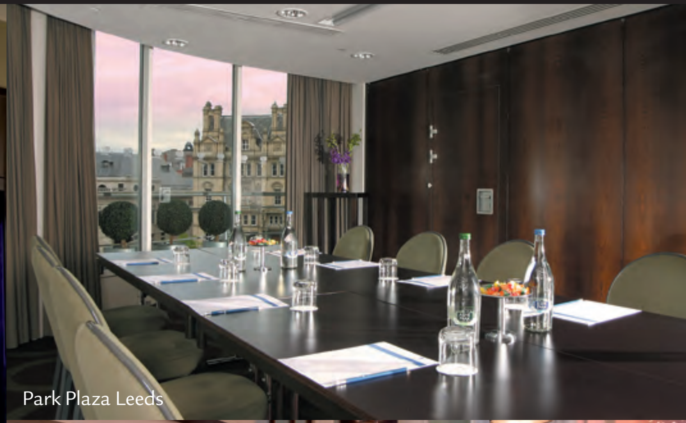
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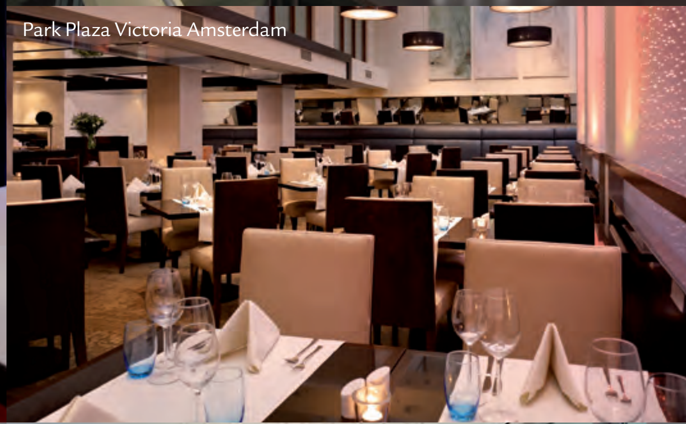
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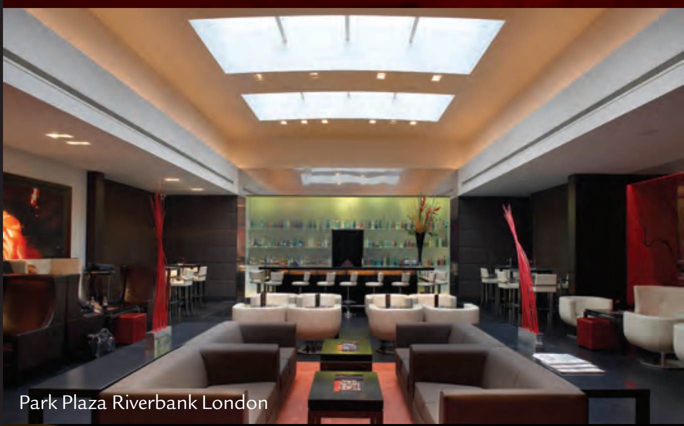
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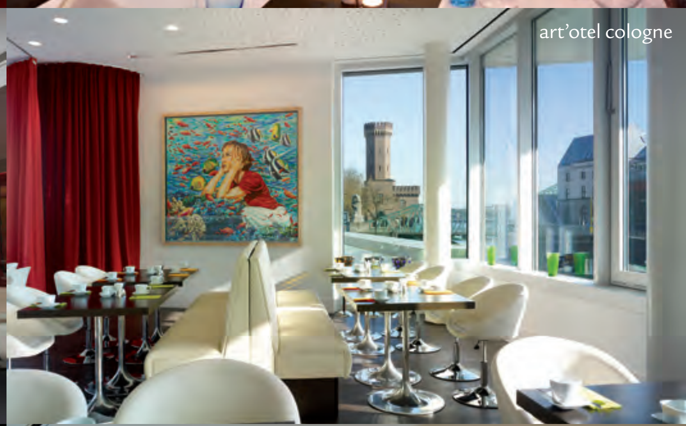
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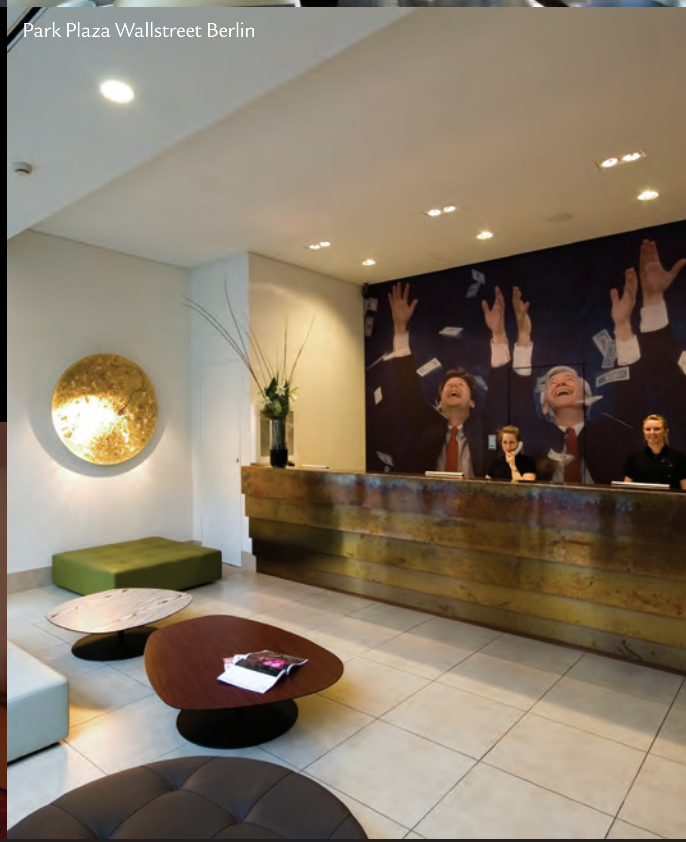
art'otel berlin city center west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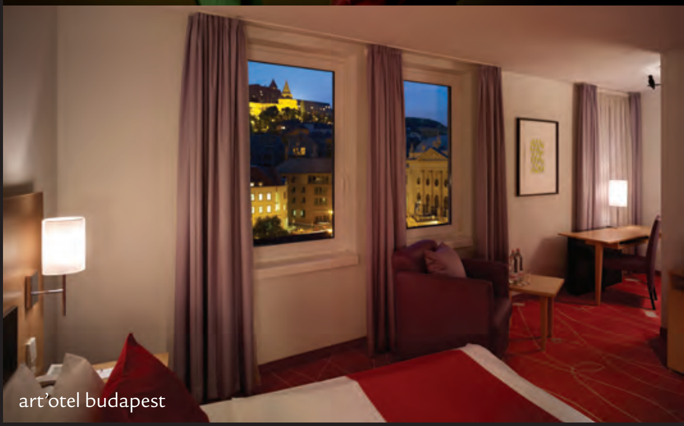
art'otel budapest

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