

# Corporate governance

## Board of Directors



**Name**

**Eli Papouchado**  
**Non-Executive Chairman**

**Boris Ivesha**  
**President & Chief Executive Officer**

**Daniel Kos**  
**Chief Financial Officer & Executive Director**

**Kevin McAuliffe**  
**Non-Executive Deputy Chairman**

**Nigel Jones**  
**Non-Executive Director & Senior Independent Director**

**Dawn Morgan**  
**Non-Executive Director**

**Skills and experience**

Eli has been Chairman of the Group since its formation in 1989, previously founding the Red Sea Group, a collection of real estate companies which he led as its Chairman for ten years. He has a wealth of experience in the construction, design, development, financing, acquisition and management of leading European hotels, including Park Plaza Westminster Bridge London, Park Plaza London Riverbank, art'otel amsterdam, Park Plaza Nuremberg and many others. Eli has led the development of major retail spaces in shopping malls and large residential projects in the USA, Eastern Europe and the Middle East. He also served as Chairman of the Israel Hotel Association.

Boris has been President and Chief Executive Officer of PPHE Hotel Group since 1991. He was responsible for bringing the Park Plaza® Hotels & Resorts brand to the Group in 1994 in collaboration with Eli Papouchado and the Red Sea Group, and has been a major influencer in the expansion of the Group's international portfolio. In previous roles, Boris established the Yamit Hotel in Israel in 1984 and served as its President, and was Director of the Carlton Hotel in Israel from 1979 until 1984 and General Manager of the Royal Horseguards Hotel in London from 1972 until 1979.

Daniel is a Certified Public Accountant and is the Chief Financial Officer & Executive Director of the Group. He joined the Group in 2011 as Group Head of Accounting and was appointed as Vice President Corporate Finance in 2015. Prior to joining the Group, Daniel held senior leadership positions within audit and finance, including 11 years at Mazars LLP, an international audit practice.

Kevin is the Non-Executive Deputy Chairman of the Group. He was a member of the Society of Trust and Estate Practitioners for 20 years and has held directorships in various regulated investment companies, and remains a Director of two regulated entities. Retired Chairman of Carey Group (after joining as Chief Executive in 1999), he was also Head of Advisory Services for Paribas International Private Banking and Managing Director of Paribas Suisse in Guernsey (1992–1999). He served as Finance Director of Ansbacher offshore banking group and was appointed as Chief Executive of Ansbacher's Guernsey bank and trust company business in 1994. He also held posts in three different departments in the States of Guernsey (1973–1980).

Nigel is a Non-Executive Director and Senior Independent Director and has been a member of the Royal Institution of Chartered Surveyors since 1989. He was Chief Executive of ComProp Limited between 2001 and 2007 while it traded as an AIM-listed property company, and during that time he was responsible for major office developments including headquarter offices for Fortis, Kleinwort Benson and Generali, along with retail stores for B&Q and Waitrose. Nigel initially worked in Southampton for Humberts and dealt with the management of coastal land forming part of the Crown Estate before moving to Guernsey where he established the island's first dedicated commercial property practice in 1995.

Dawn is a Non-Executive Director. She is a Chartered Accountant and former Finance Director and Company Secretary of International Energy Group Ltd (IEG). She joined IEG as Financial Accountant in 1992 and was promoted to Group Accountant and Company Secretary in 2000, and further promoted to the main Board as Finance Director from 2004–2013. During her 21 years at IEG, Dawn's extensive role covered all aspects of commercial accounting and management. This included the group consolidations and cash flows, disaster recovery, restructuring and the centralisation of the finance function. She was also actively involved in the flotation of IEG on the London Stock Exchange and various group acquisitions and disposals, including the sale of IEG and its integration into an Australian and Canadian quoted company.

**Board Committees**

NA

NA

NA

– Audit  
– Nomination  
– Remuneration

– Audit  
– Nomination  
– Remuneration

– Audit  
– Nomination  
– Remuneration

## Non-Executive Deputy Chairman's Corporate Governance

# THE VALUE OF HIGH STANDARDS

**Kevin McAuliffe**  
Non-Executive Deputy Chairman



### Overview

As a company whose shares are admitted to the Premium Listing segment of the Official List of the UK Listing Authority with trading on the Main Market for listed securities of the London Stock Exchange, the Company is required to comply with the requirements of the UK Corporate Governance Code published by the Financial Reporting Council (FRC) in 2016 (the 'Code') and available from the FRC website ([frc.org.uk](http://frc.org.uk)).

The Board believes that the Company applied the principles of and complied with, all provisions of the Code during 2018, except as set out in this governance report. Pursuant to the Company's obligations under the Listing Rules, the Company intends to apply the principles of and comply with the provisions in the Code or to explain any instances of non-compliance in this Annual Report.

Effective from 1 January 2019, the 2018 version of the Code applies to companies with accounting periods beginning on or after 1 January 2019. The Company will report on how it has complied with the 2018 version of the Code in the 2019 Annual Report to be published in 2020. The Board has considered certain aspects of the new Code requirements that are required to be adopted during 2019.

In advance of the Company's transfer to the Premium Listing segment, the Board reviewed its composition and the governance framework. This resulted in certain role and procedural changes to ensure that the Board is effective in discharging its duties and responsibilities.

### Board composition, roles independence and activity during the year

The Company currently has six Directors, four of whom are Non-Executives (including the Chairman, Eli Papouchado). The two Executive Directors are Boris Ivesha, President & Chief Executive Officer and Daniel Kos, Chief Financial Officer.

Chen Moravsky stepped down from his role as a Non-Executive Director on 12 June 2018.

The entire Board will stand for re-election at the forthcoming Annual General Meeting on 15 May 2019.

The Code recommends that the Board of Directors includes a balance of Non-Executive and Executive Directors such that no individual or small group of individuals can dominate the Board's decision making. The Code further recommends that the Chairman, on appointment, be independent.

The Company's Chairman, Eli Papouchado, is the founder of the Red Sea Group (of which Euro Plaza Holdings B.V., the Company's largest shareholder, is a part) and was not therefore independent on appointment, and is not independent of the Company. However, the Board believes that Eli Papouchado's extensive experience and knowledge of the Group's business, as well as the hotel business generally, justify this departure from the recommendations of the Code.

After careful consideration by the Board in respect of my independence I was delighted to be appointed as Non-Executive Deputy Chairman of the Company on 12 June 2018 to engage with corporate governance related matters.

Nigel Jones and I have served on the Board for more than 11 years, and in that respect only will not meet the usual criteria for independence set out in the Code. Notwithstanding this, the Board has determined that Nigel Jones and I continue to be independent in character and judgment taking into account our wealth of experience and valuable contributions to Board discussions.

Three of the Directors, namely Dawn Morgan, Nigel Jones and myself, are therefore 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 our independent judgment.

The Board appointed Nigel Jones as the Senior Independent Director on 12 June 2018, taking over the role from myself. The Senior Independent Director provides a sounding board for the Chairman and myself, as well as serving as an intermediary for the other Directors when necessary.

It is the Board's current intention that a further independent non-executive director will be appointed during the course of the 2019 financial year and the Board will keep shareholders updated on its progress in respect of this.

## Corporate governance statement

The Board has responsibility for the Group's strategic and financial policies and meets regularly. All Directors have access to the advice and services of the Group's General Counsel and Company Secretary and are able to gain access to external independent advice at the Company's expense should they wish to do so in the furtherance of their duties.

An appropriate balance of Executive and Non-Executive members of the Board is maintained, and the Board is supplied with regular and timely information concerning the activities of the Group to enable it to exercise its responsibilities and control functions in a proper and effective manner.

The Board has a breadth of experience relevant to the Company, and the Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new Director appointment to the Board, an appropriate induction will be arranged. Induction training may include visits to hotel sites to see the business in operation and meetings with other Directors, management and major shareholders.

The General Counsel and Company Secretary arranges for regular legal briefings to ensure that the Directors can update their skills and knowledge. Beyond induction training, the Non-Executive Deputy Chairman reviews and agrees with each Director their training and development needs.

The Board considers agenda items laid out in the notice of Board meeting and agenda which are formally circulated to the Board in advance of the Board meetings as part of the Board papers and therefore Directors may request any agenda items to be added that they consider appropriate for Board discussion. In practice, the General Counsel and Company Secretary

liaises with the Non-Executive Deputy Chairman and the other Non-Executive Directors to set the agenda and ensure timely dissemination of relevant information and Board papers in advance of Board meetings. In instances when the Chairman is not present, the Non-Executive Deputy Chairman (or, failing him, the Senior Independent Director) will chair the meeting. Each Director is required to inform the Board of any potential or actual conflict of interest prior to Board discussion and it is noted in the relevant Board Minutes.

The Company Secretary reports to the Chairman and Non-Executive Deputy Chairman on governance matters. The appointment and removal of the Company Secretary is a matter for the Board.

The primary focus at Board meetings is a review of operating performance, potential investments and joint ventures, and matters such as financing arrangements, as well as marketing/investor relations, risk management, general administration and compliance, peer group information and industry issues. A key focus for the Non-Executive Directors is to review the performance of management in meeting the goals and objectives of the Company's strategy as set by the Board and to ensure constructive challenge of management when appropriate. As noted on the following pages, the Board has adopted a set of reserved powers.

As a Board we discuss Board and senior management succession planning to ensure diversity of perspective as well as ensuring any candidate has the relevant skills and experience.

The Board evaluates its performance and considers the tenure of each Director on an annual basis, and believes that the mix of skills, experience and length of service is appropriate to the requirements of the Company. Each Director confirmed that he or she has sufficient time to allocate to the Company to discharge his or her responsibilities effectively. The Board monitors the requirement to refresh the Board and is reviewing succession plans for the Board and senior management. The entire Board retires and stands for re-election annually at the Annual General Meeting.

The Non-Executive Deputy Chairman has initiated the implementation of an independent evaluation process conducted by Independent Audit to assess the effectiveness of the Board and its Committees.

The roles of the Chairman and the Chief Executive Officer are separate and clearly defined, each playing an important role in running the business.

The Chairman assisted by the Deputy Non-Executive Chairman have taken on the role and responsibility for the leadership of the Board. The Senior Independent Director provides a sounding board for the Chairman and the Non-Executive Deputy Chairman and acts as an intermediary for the other Directors when necessary. The Chief Executive Officer is responsible for the management of the Group and the implementation of Board strategy and policy on the Board's behalf. In discharging his responsibilities, the Chief Executive Officer is advised and assisted by senior management.

The Non-Executive Deputy Chairman holds meetings with the Non-Executive Directors without the Executive Directors present.

As the Company is new to the Premium Listing segment the Non-Executive Directors, led by the Senior independent Director, will, going forward be responsible for performance evaluation of the Chairman.

During the year, the Directors held nine Board meetings, five Ad Hoc Board Committee meetings, five Audit Committee meetings, eight Remuneration Committee meetings, and four Nomination Committee meetings.

The Board also reviewed the documentation in relation to the transfer of the Company's shares from a Standard Listing to a Premium Listing on the Official List of the UK Listing Authority which took place on 30 July 2018.

During the last 12 months, the Board has overseen the restructure of the executive team. This has strengthened the team.

### Matters reserved to the Board

The Directors have a formal schedule of matters reserved for its decision, which establish the key purpose of the Board and detail its major duties.

These duties cover the following areas of responsibility:

- Statutory obligations and public disclosure
- Strategic matters and financial reporting
- Oversight of management and personnel matters

- Risk assessment and management, including reporting
- Monitoring, governance and control
- Other matters having material effects on the Company

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

Operational matters and routine business are delegated by the Board to management.

### External appointments

Directors may hold directorships or other significant interests with companies outside of the Group which may have business relationships with the Group. Executive Directors may not accept external directorships and retain any fees earned from those directorships without prior discussion with the Chief Executive Officer, provided always that this does not lead to any conflicts of interest and that they do not hold more than one non-executive directorship in a FTSE 100 company or the chairmanship of such a company.

In the case of the Chief Executive Officer, prior discussion will need to be held with the Chairman.

Eli Papouchado's other significant commitments includes his roles with the Red Sea Group.

### Directors' indemnities and protections

The Company has arranged appropriate insurance cover in respect of certain legal actions against Directors and senior managers of companies within the Group. In addition, the Articles of Incorporation of the Company (the 'Articles') permit the Directors and officers of the Company to be indemnified in respect of liabilities incurred as a result of their office.

### Meeting and Committee attendance during 2018

		Board	Ad Hoc Board Committee	Audit Committee	Remuneration Committee	Nomination Committee
Eli Papouchado	Non-Executive Chairman	5	–	NA	NA	NA
Roni Hirsch	Alternate Director on behalf of Eli Papouchado <sup>1</sup>	1	–	NA	NA	NA
Boris Ivesha	President & Chief Executive Officer	9	–	NA	NA	NA
Daniel Kos	Chief Financial Officer & Executive Director	9	3	NA	NA	NA
Kevin McAuliffe	Non-Executive Deputy Chairman	9	1	5	8	4
Chen Moravsky	Non-Executive Director <sup>2</sup>	4	1	NA	NA	NA
Nigel Jones	Non-Executive Director & Senior Independent Director	9	5	5	8	4
Dawn Morgan	Non-Executive Director	9	5	5	2 <sup>3</sup>	4
<b>Total meetings held</b>		<b>9</b>	<b>5</b>	<b>5</b>	<b>8</b>	<b>4</b>

<sup>1</sup> Roni Hirsch was the Alternate Director of Eli Papouchado until 12 June 2018.

<sup>2</sup> Chen Moravsky was a Non-Executive Director until 12 June 2018. He was entitled to attend six Board meetings and two Ad Hoc Board Committee meetings during 2018.

<sup>3</sup> Appointed to the Remuneration Committee on 12 June 2018.

**Corporate governance statement continued****Board Committees**

The Company has established the following committees in order to carry out work on behalf of the Board: an Audit Committee, a Remuneration Committee and a Nomination Committee. The Committees are provided with sufficient resources to undertake their duties.

Terms of reference for each Board Committee, which have been approved by the Board, are available on the Company's website (pphe.com). Details of each Board Committee's role, responsibilities and activities are set out on pages 92 to 97.

**Communications with shareholders**

The Board is accountable to the Company's shareholders. It is important for the Board to appreciate the aspirations of the shareholders and equally that the shareholders understand how the actions of the Board and the short-term financial performance of the Company relate to the achievement of the Company's longer-term goals.

The Board reports to the shareholders on its stewardship of the Company through the publication of interim and final results each year. Press releases are issued throughout the year and the Company maintains a website (pphe.com) on which press releases and interim and final results, including the Annual Report and Accounts, are available to view. Additionally, this Annual Report contains extensive information about the Company's activities.

Enquiries from individual shareholders on matters relating to the business of the Company are welcomed. Further communication channels have

been adopted by the Company to permit the transmission of documents and notice to shareholders in electronic form. This means that, instead of being obliged to send annual reports, notices of shareholder meetings and other documents to shareholders by post, the Company can instead publish them on its website (pphe.com). If shareholders provide their email address, the Company can also notify shareholders by email when documents are available.

Members of the Board, including the Non-Executive Directors and the Senior Independent Director, also meet with major shareholders to discuss and review the progress of the Company and to understand their issues and concerns, as well as to discuss governance and strategy and are expected to attend meetings if requested by certain major shareholders. The members of the Board, including the Senior Independent Director, have attended meetings with certain major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders.

The Chief Executive Officer and the Chief Financial Officer provide periodic feedback to the Board following meetings with shareholders.

The Annual General Meeting provides an opportunity for communication with all shareholders and the Board encourages shareholders to attend and welcomes their participation. All Directors attend the Annual General Meeting and are available to answer questions. Details of resolutions to be proposed at the Annual General Meeting of the Company to be held on 15 May 2019 are included in the notice of the Annual General Meeting which can be found on the Company's website (pphe.com).

**"THE BOARD HAS A BREADTH OF EXPERIENCE RELEVANT TO THE COMPANY."****Internal controls**

The Directors acknowledge their responsibility for establishing and maintaining the Group's systems of internal control. These are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication.

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 transactions 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.

The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the Group's process for preparing consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Any systems of internal control can only provide reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. The Directors, having reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, consider that the system of internal controls operated effectively throughout the financial year and up to the date the consolidated financial statements were signed.



**Kevin McAuliffe**  
**Non-Executive**  
**Deputy Chairman**  
**27 February 2019**

**Share dealing code**

The Company has in place a share dealing code for Directors and relevant employees, which is in accordance with the requirements of the Market Abuse Regulation (Regulation (EU) No. 596/2014) and applicable legislation.

**Shareholder enquiries**

For information about the management of shareholdings that have not already been communicated to shareholders in electronic form please contact our registrar:

Link Asset Services  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
United Kingdom

E: shareholder.services@linkgroup.co.uk  
T: UK 0871 664 0300

Calls cost 12p per minute plus network extras.

T: Overseas +44 371 664 0300

Lines are open Monday to Friday 9.00am to 5.30pm, excluding public holidays in the UK.

**Investor relations enquiries**

Robert Henke, Executive Vice President  
Commercial & Corporate Affairs  
County Hall – Riverside Building  
2nd Floor, Belvedere Road  
London SE1 7GP  
United Kingdom

T: +31 20 717 8603  
E: info@pphe.com

**Website**

Annual reports, half year reports and shared information are all available on the Company's website (pphe.com).

**Financial calendar**

Financial year: 1 January to 31 December  
Interim: Six months ending 30 June  
Results:  
Interims: August 2019  
Final: March 2020  
Annual General Meeting: 15 May 2019

**London Stock Exchange trading code**

LSE: PPH

## Report of the Audit Committee



**Dawn Morgan (Chairwoman)**  
Non-Executive Director

### Role

The Audit Committee assists the Board in observing its responsibility of ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the published consolidated 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 and reviews information from the Chief Financial Officer, the Company Secretary, the internal audit team and the external auditors regularly throughout the year.

Dawn Morgan is a Chartered Accountant and a former Finance Director, and Kevin McAuliffe and Nigel Jones have substantial experience of dealing with financial matters. As such, the Board is satisfied that the Audit Committee has recent and relevant financial experience and can properly discharge its duties in light of the nature of the Company's business.

Nigel Jones has experience in the property and construction sector and Kevin McAuliffe has experience in the commercial sector. As such, the Board is satisfied that the Audit Committee as a whole has competence relevant to the sector in which the Company operates.

Kevin McAuliffe's membership of the Audit Committee will come to an end at the forthcoming Annual General Meeting

### Audit Committee members

**Kevin McAuliffe**  
Non-Executive Deputy Chairman

**Nigel Jones**  
Non-Executive Director & Senior Independent Director

as the handover to Dawn Morgan as the new Chairwoman of the Audit Committee has been successfully completed.

### External audit and external auditors

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, are the Company's current external auditors and were re-appointed for a tenure of one year at the Company's last Annual General Meeting.

The Audit Committee considers the appointment, re-appointment and removal of the external auditors, reviews their terms of appointment and negotiates fees on behalf of the Company prior to making recommendations through the Board to the shareholders to consider at each Annual General Meeting.

Kost Forer Gabbay & Kasierer have expressed their willingness to continue in office as auditors and a resolution to re-appoint them for a tenure of one year will be proposed at the forthcoming Annual General Meeting. If approved, this will be Kost Forer Gabbay & Kasierer's fifth year of appointment as the Company's external auditors.

In accordance with corporate governance requirements, the Audit Committee reviewed the independence and objectivity of the external auditors and reported to the Board that it considers that the external auditors' independence and objectivity was maintained. A formal tender process was last carried out by the Company in 2014.

**“THE AUDIT COMMITTEE ASSISTS THE BOARD IN OBSERVING ITS RESPONSIBILITY OF ENSURING THAT THE GROUP'S FINANCIAL SYSTEMS PROVIDE ACCURATE AND UP-TO-DATE INFORMATION.”**

To analyse audit effectiveness, the Audit Committee meets with management to discuss the performance of the external auditors without them being present. Separate meetings are also held with the external auditors without the presence of any member of executive management.

The audit fees amounted to £315 thousands (2017: £311 thousands) and the non-audit fees amounted to £211 thousand (2017: £0). £204 thousand of the non-audit fees related to the Financial Position and Prospectus Procedures Report and a Working Capital Report, both of which were required to support the transfer of the Company's shares to the Premium Listing segment of the Official List of the UK Listing Authority. These fees were approved by the Board. Although an alternative quote was considered, the external auditors were considered the most suitable supplier of these services taking into account the alignment of these services to the work undertaken by external audit and the firm's skill set. The Audit Committee considered whether the provision of the non-audit services would impact on the objectivity and independence of the auditors and was comfortable that this work did not. The level of non-audit fees is expected to reduce in 2019.

### Internal audit

The Audit Committee monitors and reviews the effectiveness of the internal auditor, agrees his annual work plan and reviews whether the internal auditor has the proper resources to enable him to satisfactorily complete such work plans. It also reviews status reports and considers management's response to any major findings, providing support, if necessary, for any follow-up action required, and ensures that the team obtains free and unrestricted access to all Group activities, records, property and personnel necessary to fulfil its agreed objectives.

To analyse audit effectiveness, the Audit Committee meets with management to discuss the performance of the internal auditor without him being present. Separate meetings are held with the internal auditor without the presence of any member of executive management.

### Financial reporting

Prior to submission to the Board, the Audit Committee monitors the integrity of the financial statements and annual accounts and confirms that they have been properly prepared in accordance with IFRS (as adopted by the European Union) and the requirements of Guernsey law.

In relation to the financial statements, the significant issues the Audit Committee considered relates to the complexity of the financial statements due to the size of the Group, the multiple legal entities and the geographical decentralised structure. During our discussions, we put emphasis on the evaluations of the Group's internal controls, assessment of the IT environment and ensuring that the applied accounting policies, including implementation of new accounting standards are in accordance with International Financial Reporting Standards (IFRS).

The Audit Committee reviews draft annual and interim reports before recommending their approval and publication to the Board. The Audit Committee discusses with the Chief Executive Officer, Chief Financial Officer and external auditors the significant accounting policies, estimates and judgments applied in preparing these reports.

The Audit Committee also reviews the reports to shareholders and any other public announcement concerning the Group's financial position, corporate governance statements and statements on the Group's system of internal controls and reports its views to the Board to assist in its approval of the results announcements and the Annual Report.

The Audit Committee has reviewed the Annual Report and Accounts. In its opinion, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

### Whistleblowing policy

The Audit Committee is also responsible for reviewing arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and ensuring that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action. The Company has a whistle-blowing policy in place which:

- encourages employees to report suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously and investigated as appropriate, and that their confidentiality will be respected;
- provides employees with guidance as to how to raise those concerns; and
- reassures employees that they should be able to raise genuine concerns in good faith without fear of reprisals, even if they turn out to be mistaken.

The whistleblowing policy is currently in the process of being updated.

**Report of the Audit Committee continued****Audit Committee attendance and meetings**


The Audit Committee met five times during the year and received regular monthly financial updates from the Chief Financial Officer on the Group's performance. Attendance of the individual Directors who served on the Audit Committee throughout the year is shown in the table on page 89.

Throughout the year, the Audit Committee reviewed and considered the following:

- the financial information that is publicly disclosed, which included the accounts for the year ended 31 December 2018 and the interim results for the period ended 30 June 2018;
- approval of budget;
- the performance of the Group's assets throughout the year;
- the Group's refinancing activities;
- arrangements reached with related parties;
- onsite visits carried out at Park Plaza Nuremberg and art'otel cologne;
- its terms of reference, which were updated to align with the Code and are available on the Group's website;
- the impact of GDPR on the business; and
- the Group's internal control and risk management policies and systems, and their effectiveness, including reviewing reports from the internal audit team including reports on operation, food hygiene, cyber and information security, location of Group servers and guest security.

From the monthly management information provided, the Audit Committee also regularly reviewed aspects of the effectiveness of the Group's system of internal control and risk management procedures as well as the Group's risk management strategy to ensure that any required remedial action on any identified weaknesses is implemented.

On behalf of the Board



**Dawn Morgan**  
Chairwoman of the  
Audit Committee  
27 February 2019

**Report of the Nomination Committee**

**Nigel Jones (Chairman)**

Non-Executive Director & Senior Independent Director

**Role**

The Nomination Committee's key responsibility is to keep under review the structure, size, composition (including the skills, knowledge, experience and diversity) and the length of service the Board as a whole and Board Committees, and make recommendations with regard to any changes to the Board and its Committees. The Nomination Committee considers succession planning for Directors, both executives and non-executives, being mindful of the need to refresh the Board.

**Nomination Committee members****Kevin McAuliffe**

Non-Executive Deputy Chairman

**Dawn Morgan**

Non-Executive Director

**Process for Board appointments**

The Nomination Committee is responsible for identifying and nominating, for the approval of the Board, candidates from a wide range of backgrounds to fill Board vacancies as and when they arise.

As a policy, before any appointment is made by the Board, the Nomination Committee evaluates the balance of skills, knowledge, experience and diversity on the Board and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment.

In identifying suitable candidates the Nomination Committee uses such methods as it deems appropriate.

During 2018, in preparation for the Company's transfer to the Premium Listing segment, the Nomination Committee reviewed the composition of the Board and the roles of the individual Directors. The Board and the Committees were restructured as a result of this review. Although no new Board appointments were made, this will be kept under review.

**Diversity**

The Board supports diversity and promotes equal opportunity for all team members regardless of age, disability, marriage and civil partnerships, gender reassignment, race (colour), ethnic or nationality background, religion or beliefs, sexual orientation and gender.

**Nomination Committee attendance and meetings**

The Nomination Committee met four times during the year. Attendance of the individual Directors who served on the Nomination Committee throughout the year is shown in the table on page 89.

On behalf of the Board



**Nigel Jones**  
Chairman of the  
Nomination Committee  
27 February 2019

## Report of the Remuneration Committee and Directors' Remuneration Report



**Nigel Jones (Chairman)**

Non-Executive Director & Senior Independent Director

### Remuneration policy

The Remuneration Committee advises the Board on an overall remuneration policy. The Company's remuneration policy is designed to attract, motivate and retain high calibre individuals to enable the Group to operate strategically for the continued benefit of shareholders over the long term. The Remuneration Committee aims to provide Executive Directors and senior managers with packages which are sufficiently competitive to attract, retain and motivate individuals of the quality required to achieve the Group's business priorities and enhance shareholder value. Remuneration packages are aimed at balancing both short-term and long-term rewards, as well as performance and non-performance related pay.

The remuneration of Non-Executive Directors is a matter for the Board and shall reflect the time commitment and responsibilities of the role. No Director or manager may be involved in any decisions as to his/her own remuneration.

Within the framework of the agreed remuneration policy, the Remuneration Committee determines the remuneration package of the Chairman and the Executive Directors and consults the Chief Executive Officer regarding the packages of other senior managers. The Chief Executive Officer and the Chief Financial Officer may provide advice to the Remuneration Committee as necessary (save in respect of their own remuneration).

### Remuneration Committee members

**Dawn Morgan**

Non-Executive Director

**Kevin McAuliffe**

Non-Executive Deputy Chairman

The Remuneration Committee has undertaken an independent benchmarking exercise of the pay and benefits of the Executive Directors, Chairman and Non-Executive Directors. The Remuneration Committee obtained the services of Pearl Meyer & Partners, LLC, a member of the Remuneration Consultants Group, an independent adviser with over 27 years of experience in the industry and has no other connection with the company. The report is being considered by the Remuneration Committee and recommendations being presented to the Board. It will form the basis of establishing appropriate policies to ensure that remuneration packages are properly set so they can deliver in both the short and long term to maintain and attract the right candidates to drive the business forward.

### Non-performance related remuneration

Basic salaries and benefits are reviewed by the Remuneration Committee annually. Executive Directors and Non-Executive Directors are entitled to the benefits afforded by the Group's Directors and Officers Insurance.

The Chairman's and Non-Executive Directors' fees are reviewed on an annual basis by the entire Board.

### Pensions

Boris Ivesha and Daniel Kos are entitled to pension contributions. The other Directors are neither entitled to, nor receive, pension plan contributions.

### Remuneration Committee attendance and meetings

The Remuneration Committee met eight times during the year. Attendance of the individual Directors who served on the Remuneration Committee throughout the year is shown on page 89.

### Contracts and letters of appointment

Boris Ivesha has a rolling contract which may be terminated on 12 months' notice by the Group or on six months' notice by Boris Ivesha. Daniel Kos has a rolling contract which may be terminated on six months' notice by the Group or on three months' notice by Daniel Kos. There are provisions for earlier termination by the Group in certain specific circumstances.

Each Non-Executive Director has specific terms of appointment. The Chairman's letter of appointment provides for an indefinite term. The Board believes that Eli Papouchado's extensive experience and knowledge of the Group's business, as well as the hotel business generally, justify this departure from the recommendations of the Code. Dawn Morgan's letter of appointment provides for a fixed term expiring on the sixth anniversary of her

appointment, subject to re-election at each Annual General Meeting. Kevin McAuliffe's and Nigel Jones' respective letters of appointment provide for a fixed term expiring on 14 June 2021, subject to re-election at each Annual General Meeting. The length of appointment Kevin McAuliffe and Nigel Jones have been subject to particularly rigorous review and take into account the need for progressive refreshing of the Board, but have been considered appropriate given their wealth of experience and valuable contributions to Board discussions. All the Non-Executive Directors' appointment letters are subject to termination by either side on three months' notice.

Other than salary and benefits in relation to the notice period, the letters of appointment contain provisions for termination by the Group in certain specific circumstances. Details of the contract dates and notice periods are set out in the table below. The letters of appointment are available for inspection at the Company's registered office.

### Terms of appointment

Name of Director	Date of appointment	Term of appointment	Notice period
Eli Papouchado	26 June 2007	Indefinite	3 months
Boris Ivesha	14 June 2007	Indefinite	12 months from Group, 6 months from Boris Ivesha
Daniel Kos	27 February 2018	Indefinite	6 months from Group, 3 months from Daniel Kos
Kevin McAuliffe	15 June 2007	14 June 2021	3 months
Nigel Jones	26 June 2007	14 June 2021	3 months
Dawn Morgan	19 May 2016	9 March 2022	3 months

### Directors' remuneration £'000

Chairman and Executive Directors	Eli Papouchado	Boris Ivesha	Chen Moravsky	Daniel Kos	Total
Salary and fees	200	417	–	182	799
Performance related incentive	–	–	–	61	61
Other taxable benefits	–	120	–	12	132
Total remuneration for the year ended 31 December 2018	200	537	– <sup>1</sup>	255	992
Total remuneration for the year ended 31 December 2017	100	516	766 <sup>2</sup>	–	1,382

<sup>1</sup> Chen Moravsky stepped down from his executive roles of Deputy Chief Executive Officer and Chief Financial Officer on 31 December 2017.

<sup>2</sup> This includes part of the termination fee paid to Chen Moravsky in December 2017.

Non-Executive Directors	Kevin McAuliffe	Nigel Jones	Dawn Morgan	Chen Moravsky <sup>1</sup>	Total
Salary and fees					
Total remuneration for the year ended 31 December 2018	86	60	52	21	219
Total remuneration for the year ended 31 December 2017	53	48	43	–	144

<sup>1</sup> Chen Moravsky stood down as a Non-Executive Director on 12 June 2018.

Details of share awards and options granted to Directors as at the date of publication of this report are included in the table below:

Director	Number of options	Number vested as at 31 December 2018	Exercise price
Daniel Kos	100,000	66,667	£6.90
	25,000	–	£14.30

On behalf of the Board

**Nigel Jones**  
Chairman of the Remuneration Committee  
27 February 2019

## Directors' Report

### The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

#### Principal activities

The Group is an international hospitality real estate group, with a £1.6 billion portfolio of primarily prime freehold and long leasehold assets in Europe. The Group's guiding principle is to generate attractive returns from operations and long-term capital appreciation.

Through its subsidiaries, jointly controlled entities and associates the Group owns, co-owns, develops, leases, operates and franchises hospitality real estate. The Group's primary focus is full-service upscale, upper upscale and lifestyle hotels in major gateway cities and regional centers, as well as hotel, resort and campsite properties in select resort destinations.

The Group benefits from having an exclusive and perpetual license from the Radisson Hotel Group, one of the world's largest hotel groups, to develop and operate Park Plaza® branded hotels and resorts in Europe, the Middle East and Africa. In addition, the Group wholly owns, and operates under, the art'otel® brand and its Croatian subsidiary owns, and operates under, the Arena Hotels & Apartments® and Arena Campsites® brands. This multi-brand approach enables the Group to develop and operate properties across several segments of the hospitality market.

The Group is one of the largest owner/operators of hotels in central London and its property portfolio comprises of 38 hotels and resorts in operation, offering a total of approximately 8,800 rooms and 8 campsites, offering approximately 6,000 units. The Group's development pipeline includes two new hotels in London which are expected to add an additional 500 rooms by the end of 2022.

The Company is a company incorporated in Guernsey, having its shares listed on the Premium Listing segment of the Main Market of the London Stock Exchange. The Company also holds a controlling ownership interest (51.97% of the share capital) in Arena Hospitality Group, whose shares are listed on the Zagreb Stock Exchange.

#### Business review

A review of the business during the year is contained in the Chairman's statement, President & Chief Executive Officer's review, Strategic progress for 2018, Key performance indicators and Financial and Business review sections of this report.

#### Results and 2018 dividend

The results for the year are set out in the attached consolidated financial statements. Basic and diluted earnings per share for the year was 90 pence (2017: 57 pence). The Board recommends to the Annual General Meeting to authorise the payment of a final dividend of 19 pence per share for the year ended 31 December 2018.

As a matter of Guernsey law, any distribution or payment of dividends must be made in accordance with the provisions of the Companies (Guernsey) Law, 2008 (as amended) (the 'Law') and the Articles. Prior to making a distribution or declaring any dividends, the Directors are required to carry out a statutory cash flow solvency test and a balance sheet solvency test and must satisfy themselves on reasonable grounds that the Company will, immediately after the making of distribution or the payment of the dividend, satisfy the solvency test set out in the Law i.e. be able to pay its debts as they fall due and the value of its assets will continue to exceed the value of its liabilities. The solvency 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.

#### Principal risks and uncertainties

Internal controls and an effective risk management regime are integral to the Group's continued operation. Overall responsibility for the risk management processes adopted by the Group lies with the Board. On behalf of the Board, the Audit Committee reviews the effectiveness of the Group's internal control policies and procedures for the identification, assessment and reporting of risks. In order to maintain oversight and seek comfort as to Group policies and procedures, the Group has an internal auditor who acts as a mechanism to rigorously and continuously test Group procedures. For further details in respect of the Group's internal control processes, please refer to the corporate governance statement.

We have carried out a robust assessment of the principal risks facing the Company, which we describe on pages 42 to 44. We provide information on the nature of the risk, actions to mitigate risk exposure and an indication of the significance of the risk by reference to its potential impact on the Group's business, financial condition and results of operation and/or the likelihood of the risk materialising. Not all potential risks are listed on pages 42 to 44. Some risks are excluded because the Board considers them not to be material to the Group as a whole. Additionally, there may be risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, that may also have an adverse effect upon the Group.

#### Directors

The Directors who served throughout the year were as follows:

- Eli Papouchado (Non-Executive Chairman)
- Boris Ivesha (President & Chief Executive Officer)
- Daniel Kos (Chief Financial Officer & Executive Director)
- Kevin McAuliffe (Non-Executive Deputy Chairman)
- Nigel Jones (Independent Non-Executive Director & Senior Independent Director)
- Dawn Morgan (Independent Non-Executive Director)
- Chen Moravsky (Non-Executive Director)

Chen Moravsky stepped down from his role as Non-Executive Director on 12 June 2018.

On 12 June 2018, Roni Hirsch stepped down as Eli Papouchado's alternate Director.

Pursuant to the Articles, the Board has the power to appoint any person to be a Director. At every general meeting, a minimum of one third of the Directors shall retire from office. No person, other than a Director retiring at a general meeting, shall, unless recommended by the Directors, be eligible for election at a general meeting as a Director unless notice has been received from such person. In accordance with the Code and good corporate governance practice, the entire Board will stand for re-election at the forthcoming Annual General Meeting.

Pursuant to the Articles, Euro Plaza Holdings B.V. ('Euro Plaza') may:

- nominate two Non-Executive Directors to the Board for so long as Euro Plaza and its associates directly or indirectly control at least 30% of the issued shares in the Company; and
- nominate one Non-Executive Director to the Board for so long as Euro Plaza and its associates control at least 15% but less than 30% of the issued shares of the Company.

Pursuant to the Articles, Molteno Limited may nominate one Non-Executive Director to the Board for so long as Molteno Limited and its associates directly or indirectly control at least 15% of the issued shares in the Company.

The shareholders may, by ordinary resolution, resolve to remove any Director before the expiration of his or her period of office and appoint a replacement Director.

Details of the Directors' remuneration are included within the Remuneration Report.

Following the entry into a relationship agreement as part of the move to the Premium Listing segment of the Main Market of the London Stock Exchange the Articles are proposed to be amended to reflect the minimum threshold required to nominate Non-Executive Directors to the Board from 15% to 10%.

#### Employees

During 2018, taking into account all our hotels, under all types of contract, approximately 4,100 team members were working for the Group.

#### Share capital

The issued share capital of the Company together with the details of the movements in the Company's share capital during the year are shown in Note 12 to the consolidated financial statements.



**Directors' Report continued****Shares**

There is currently only one class of share in issue (being ordinary shares) which all carry the same rights as one another. There are no shares in the Company which carry special rights with regard to control of the Company.

The following limitations on voting rights of shareholders apply:

- The Board may suspend the voting rights attached to any shares owned directly, indirectly or beneficially by a Non-Qualified Holder (as defined in the Articles)
- The Directors may at any time make calls upon the shareholders in respect of any unpaid shares. No shareholder is entitled to vote unless all calls due from him have been paid

The following deadlines for exercising voting rights apply:

- A written resolution will state a date by which the resolution must be passed. The Law imposes a default lapse date of 28 days from circulation of the written resolution if no lapse date is specified
- In the case of resolutions passed at general meetings of shareholders, voting rights may only be exercised at the time the resolution is proposed at the meeting

Any arrangements by which the financial rights to shares are held by a person other than the registered shareholder would be by agreement between the shareholder and the beneficiary. The Company is not obliged to recognise any such trust arrangements and shall pay any dividends to the registered shareholder.

With the prior approval of the shareholders by ordinary resolution, the Board may exercise all powers of the Company to allot and issue, grant rights to subscribe for, or to convert any securities into, an unlimited number of shares of each class in the Company.

Unless such shares are to be wholly or partly paid otherwise than in cash or are allotted or issued pursuant to an employee share scheme, any shares to be allotted and issued must first be offered to the existing shareholders on the same or more favourable terms.

The Company may from time to time acquire its own shares subject to the requirements of the Law. The Law requires the prior approval of any share buy-back by way of ordinary resolution of the shareholders and a certification by the Board that the Company satisfies the solvency test set out in the Law.

No further interests have been disclosed to the Company in accordance with DTR 5 in the period between the end of the financial year and 6 February 2019.

Number of issued shares	44,225,706
Shares held in treasury by the Group	1,888,070
Number of issued shares (excluding treasury)	42,337,636

**Articles**

The Articles may be amended at any time by passing a special resolution of the shareholders pursuant to the Law. A special resolution is passed by a majority of not less than 75% of the votes of the shareholders entitled to vote and voting in person or by attorney or by proxy at a meeting or by 75% of the total voting rights of eligible members by written resolution.

**Substantial share interest**

The table provided on page 101 shows shareholders holding 3% or more of the issued share capital (excluding treasury shares) as at 6 February 2019, of which the Company has been notified by its Registrar and in accordance with DTR 5.

Shareholders with holdings of 3% or more of the Company's issued share capital (excluding treasury) as at 6 February 2019	Number of Ordinary Shares	% of Issued Share Capital (excluding Treasury Shares)
Eli Papouchado <sup>(1)</sup> :	19,852,714	46.89
Boris Ivesha <sup>(2)</sup>	6,690,027	15.80
Aroundtown Property Holdings	3,760,000	8.88
Hargreave Hale (part of Canaccord Genuity Group)	1,900,490	4.49
Bank J. Safra Sarasin	1,400,334	3.31

<sup>(1)</sup> Eli Papouchado is deemed to be interested in the following Ordinary Shares:

<sup>(a)</sup> 17,630,297 Ordinary Shares held by Euro Plaza Holdings B.V. ("Euro Plaza"). Euro Plaza is an indirect wholly-owned Dutch incorporated subsidiary of A.P.Y. Investments & Real Estate Ltd ("APY"). As at the date hereof, 98% of the shares in APY are held by Eli Papouchado as trustee of an endowment created under Israeli law which he formed in 1998 (the "Endowment"). The primary beneficiaries of the Endowment are Eli Papouchado and his sons, Yoav Papouchado and Avner Papouchado, and the secondary beneficiaries are the children of Yoav and Avner. The remaining 2% of the shares in APY are held by Yoav and Avner Papouchado respectively (1% each). APY and its subsidiaries are part of an international constructions, hotel and real estate group (the "Red Sea Group") that was founded by Eli Papouchado. The Ordinary Shares held by Euro Plaza have been pledged to secure guarantees given by Euro Plaza of certain banking facilities provided to another company in the Red Sea Group, as disclosed on 13 December 2013.

<sup>(b)</sup> 22,417 Ordinary Shares held by Red Sea Club Limited ("Red Sea Club"), an intermediate subsidiary of APY and holding company of Euro Plaza.

<sup>(c)</sup> 2,200,000 Ordinary Shares held by A.A. Papo Trust Company Limited ("A.A. Papo"), a company which is wholly-owned by Eli Papouchado, acting in its capacity as the sole trustee of an endowment whose main beneficiary is Eli Papouchado's daughter, Eliana Papouchado.

<sup>(2)</sup> Boris Ivesha is deemed to be interested in 6,690,027 Ordinary Shares held by Walford Investments Holdings Limited ("Walford") which is wholly-owned by Clermont Corporate Services Limited ("Clermont"), as trustee of certain trusts established for the benefit of Boris Ivesha (the president and chief executive officer of the Company) and his family.

**Controlling shareholders**

The Company's immediate controlling shareholders are Euro Plaza Holdings B.V. and Walford Investments Holdings Limited ("Walford"). Euro Plaza is ultimately controlled by Eli Papouchado, acting in his capacity as trustee of an endowment created under Israeli law ("the Endowment"). Walford is ultimately controlled by Clermont Corporate Services Limited ("Clermont"), a professional corporate trustee in its capacity as trustee of certain trusts established for the benefit of Boris Ivesha and his family. As required under Listing Rule 9.2.2 R(1), the Company has entered into separate relationship agreements with: (i) Euro Plaza and Eli Papouchado (acting in his capacity as trustee of the Endowment) and (2) Walford and Clermont, which as a concert party hold 62.69% of the issued share capital of the Company.

The Company has complied with the undertakings in Listing Rule 6.5.4R and Listing Rule 9.2.2ADR(1) since admission to the Premium Listing segment. So far as the Company is aware, these undertakings have also been complied with by Euro Plaza, Eli Papouchado, acting in his capacity as trustee of the Endowment, Walford and Clermont since admission.

In accordance with the relationship agreements entered into the Company's controlling shareholders, each of Euro Plaza and Walford is entitled to appoint representatives to the Board of the Company. Mr Eli Papouchado is cleared to be the representative of Euro Plaza and Mr Boris Ivesha is cleared to be the representative of Walford for these purposes.

**DTR disclosures**

Eli Papouchado is deemed to be interested in 19,852,714 ordinary shares, which constitutes 46.89% of the issued share capital (excluding treasury shares) of the Company:

- 17,630,297 ordinary shares held by Euro Plaza;
- Euro Plaza is an indirect wholly-owned subsidiary of A.P.Y. Investments & Real Estate Ltd ("APY"). 98% of the shares in APY are held by Eli Papouchado;
- 22,417 ordinary shares held by Red Sea Club Limited, a subsidiary of APY; and
- 2,200,000 ordinary shares held by A.A. Papo Trust Company Limited, which is wholly-owned by Eli Papouchado.

Boris Ivesha is deemed to be interested in 6,690,027 ordinary shares, which constitutes 15.80% of the issued share capital (excluding treasury shares) of the Company. The shares are held by Walford which is wholly owned by Clermont, as trustee of certain trusts established for the benefit of Boris Ivesha and his family.

Eli Papouchado, Euro Plaza, APY and A.A. Papo Trust Company Limited and other parties related to him (together the "Red Sea Parties") and Walford, Clermont, Boris Ivesha and other parties related to him (together the "Ivesha Parties") are a party to a shareholders agreement dated 14 March 2013 (as amended on 29th April 2015, 31 March 2016 and 16th November 2016 (respectively)) (the "Shareholders Agreement"). Pursuant to the Shareholders Agreement, it has been agreed that for so long as, inter alia, the combined interests of the Ivesha Parties and the Red Sea Parties in the Company are not less than 38% and the Red Sea Parties' interest in the Company is at least 26.5% of the share capital then in issue (excluding, in both cases, shares held in treasury), on any shareholder resolution all shares held by the Ivesha Parties shall be voted in a manner which is consistent with the votes cast by, or on behalf of, the Red Sea Parties in respect of that resolution. As a result, the Red Sea Parties are all considered to be interested in the shares in which the Ivesha Parties are interested.

**Directors' Report continued****Article 19 of the Market Abuse Regulation**

The interests of each Director disclosed to the Company under Article 19 of the Market Abuse Regulation as at the end of the financial year include:

– on 29 June 2018, Daniel Kos was granted options over 25,000 ordinary shares of no par value in the Company at an exercise price of 1,430 pence per share.

There have been no changes in the interests of each Director in the period between the end of the financial year and 27 February 2019.

**Listing Rule 9.8.4R**

The following table is disclosed pursuant to Listing Rule 9.8.4R. The table sets out only those sections of Listing Rule 9.8.4R which are applicable to the Company. The information required to be disclosed can be located in the Annual Report at the references set out below:

Section	Information	Location
4	Details of long-term incentive schemes	Note 13 to the consolidated financial statements
10	Contracts of significance	Notes 14 and 29 to the consolidated financial statements
11	Provision of services by a controlling shareholder	Note 29 to the consolidated financial statements
14	Controlling shareholder statement	Directors' Report

**Auditors**

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

**Going concern**

The Board believes it is taking all appropriate steps to support the sustainability and growth of the Group's activities. Detailed budgets and cash flow projections have been prepared for 2019 and 2020 which show that the Group's hotel operations will be cash generative during the period. We have assessed the viability of the Group over a three-year period to 31 December 2021, as set out on page 45. The Directors have determined that the Company is likely to continue in business for at least 12 months from the date of this Annual Report. This, taken together with their conclusions on the matters referred to below and in Note 1(c) to the consolidated financial statements, has led the Directors to conclude that it is appropriate to prepare the 2018 consolidated financial statements on a going concern basis.

**Financial risk management objectives and policies**

In addition, Note 30 to the consolidated financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

**Directors' responsibilities**

The Directors are required to prepare the Annual Report and the consolidated financial statements for each financial year to give a true and fair view of the state of affairs of the Company and the undertakings included in the consolidation taken as a whole as at the end of the financial year, and of the profit or loss for that year.

In preparing the consolidated financial statements, the Directors should:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the consolidated financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the consolidated financial statements have been properly prepared in accordance with the Law. The Directors are responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Directors' declaration**

So far as each of the Directors, who is a director at the time the Directors' Report is approved, is aware, there is no relevant audit information of which the Company's auditor is unaware and each has taken all the steps he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Directors' responsibility statement**

Each of the directors named on pages 84 and 85 confirms to the best of his or her knowledge that:

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

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board by Boris Ivesha and Daniel Kos.



**Boris Ivesha**  
President & Chief Executive Officer



**Daniel Kos**  
Chief Financial Officer  
& Executive Director  
27 February 2019