



The Stellar Dundee Hotel LP ("the Fund")

Review the year ending 31 March 2023

The Fund's performance in the period has exceeded budget expectations. Performance was driven by our ability to achieve an ADR significantly above budget whilst managing to maintain good occupancy levels relative to budget.

It is pleasing to see the first full trading year post the COVID-19 pandemic return a positive EBITDA of £228k above budget. Year end figures exceeded pre COVID-19 trading levels, significantly surpassing the year ending 31 March 2020 EBITDA.

Market Commentary

Market consensus suggests that there continues to be a positive outlook for the UK hotel sector, with growth previously highlighted in H1 2022 continuing throughout the 2022/23 trading year. Knight Frank reported that occupancy levels across the UK have increased c.22% since 2021, with ADR increasing by 7% over the same period. However, they noted that gross operating profit per available room has decreased c.7% since 2019, driven by wage and cost inflation.

The hospitality sector has been able to partially offset inflation by passing costs onto consumers via increases in rates, without suffering a significant loss in occupancy rates. This however, is becoming increasingly difficult as the effects of the cost-of-living crisis deepen.

Although a positive direction of travel can be seen for the hospitality sector, significant challenges still remain. Shorter booking windows, reduced corporate and international, costs of inflation and staffing shortages are all still evident. Despite these challenges, Savills have estimated that hotel demand across the UK and mainland Europe will return to pre-pandemic levels by the end of 2023.

As previously reported, ESG considerations continue to be a primary focus for developers. JLL have emphasised the importance of ESG accreditation as institutional demand for ESG compliant properties could result in the emergence of a yield spread, with tighter yields being achieved on ESG assets vs their non-ESG compliant counterparts.

	2022/23	Budget	BudVar	LastYear	PYVar
Occupancy	69.61%	71.37%	(1.8%)	58.03%	11.58%
ADR	£70.77	£60.59	£10.18	£62.32	£8.45
RevPAR	£49.27	£43.24	£6.021	£36.16	£13.10
Total Revenue	£1,845,753	£1,655,590	£190,164	£1,510,967	£334,786
GOP	£404,401	£226,169	£178,232	£367,824	£36,576
EBITDA	£228,588	£71,424	£157,164	(£112,350)	£340,939



Executive Summary

As the above table demonstrates, performance for the year has exceeded expectations. This has been driven by the Fund's ability to capture room rates in excess of budget without a significant compromise on occupancy levels.

Importantly the hotel has exceeded budget expectations without any unique events driving ADR or occupancy as seen with events like Cop-26 in previous years.

Continual increases in business travel over the period have provided a positive outlook to the Fund's long-term recovery. Whilst short stay business has been a crucial element of the hotel's continual recovery from the COVID-19 pandemic, the hotel is set to benefit from a government contract to house Ukrainian refugees. This contract is set to be worth at least £500k in room revenue over the course of the 2023/24 trading year.

As previously reported, performance over the course of the 2022/23 trading year fluctuated with August 2022 being particularly strong. Room revenue for this month was 22.7% ahead of budget expectations. This good performance was followed up in September with room revenue being 13.9% above budget for the month. Despite performance slowing during Q1 2023 the hotel ended the trading year with a strong EBITDA, and significantly ahead of budget expectations.

Hotel Revenue

	Actual	Budget	BudVar	% Var	LastYear	PYVar
Room Revenue	£1,708,275	£1,499,487	£208,787	13.9%	£1,253,988	£454,287
F&B Revenue	£128,562	£152,816	(£24,254)	(15.9%)	£79,694	£48,868
Other	£8,917	£3,287	£5,630	171.3%	£177,286	(£168,369)
Total Revenue	£1,845,753	£1,655,590	£190,164	11.5%	£1,510,967	£334,786

As referenced above, strong rates and stable occupancy enabled the hotel to generate room revenues that were considerably ahead of budget.

Despite F&B revenue being slightly down on budget, other revenue streams exceeded expectations offsetting some of the shortfall in F&B revenue.

It is important to note that a successful business interruption claim boosted other revenue in the prior trading year, resulting in additional/other revenue being significantly lower this year.

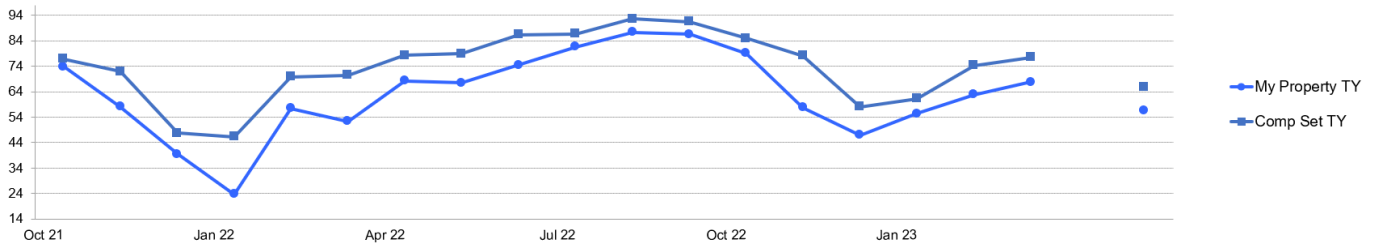
Hotel Profitability

	Actual	Budget	BudVar	% Var	LastYear	PYVar
GOI	£1,051,838	£886,566	£165,272	18.6%	£894,867	£156,971
GOP	£404,401	£226,169	£178,232	78.8%	£367,824	£36,576
NOP	£277,798	£107,146	£170,651	159.3%	(£66,649)	£344,447
EBITDA	£228,588	£71,424	£157,164	220.0%	(£112,350)	£340,939

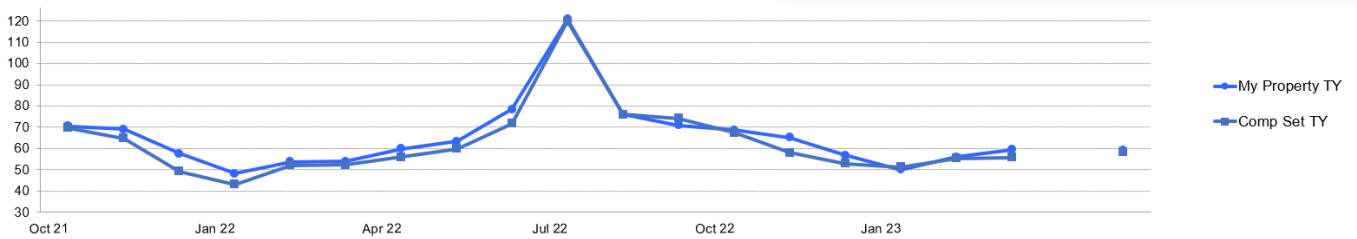
Despite operating in an uncertain market, the trading year ending 31 March 2023 was positive for the Fund. Considerable outperformance of budget during the summer months pushed the hotel's bottom line past budget as well as those seen in the prior year, independent of any unique events or non-repeatable income.

Performance vs Competitor Set

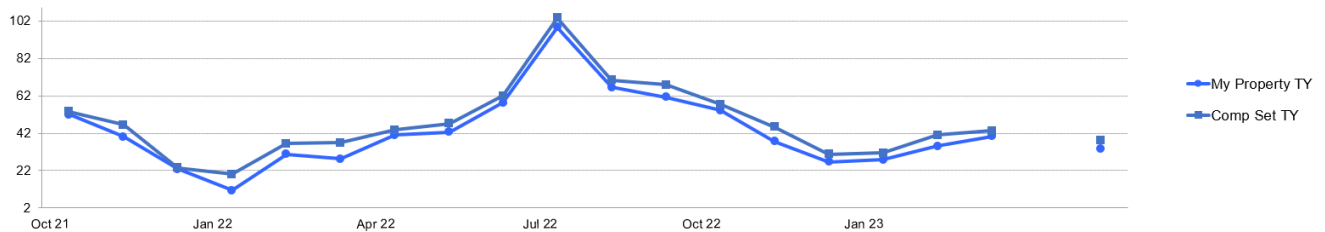
Monthly Occupancy (%) - Oct 2021 to Mar 2023



Monthly ADR – Oct 2021 to Mar 2023



Monthly RevPAR – Oct 2021 to Mar 2023





Frequently Asked Questions (FAQs)

To assist investors and their advisers, we have collated the most frequently asked questions that our client service team receive and have included our answers below.

Should you have any queries relating to the Fund or your investment, our client services team are readily available to assist and can be contacted on 020 3195 3500 or via email at enquiries@stellar-am.com.

How often are performance updates provided to investors?

Performance updates are issued on a half yearly basis by email. Once published, they can be accessed at any point via our website: www.stellar-am.com.

What is the latest market valuation of my investment?

For an update on the current value of your investment, please contact our client services team on 020 3195 3500 or via email enquiries@stellar-am.com.

Is there any news on the CBILS (Coronavirus Business Interruption Loan) loan from NatWest for £250,000?

This was drawn down in July 2020 and is repayable over 6 years after this date. NatWest is unable to advance any further funds or support as a result of COVID –19. Further information is available in our update of 26 March 2021.

I submitted my *Investor Response Form* in relation to the future of the Fund, when will a meeting of investors be held?

A meeting was held which approved the resolution to allow the Operator (Stellar) to raise further funds. Dialogue continues with interested parties, and we will write to investors once matters have been finalised. However, with the improvement of trading performance and the impact of the Ukrainian business in the coming year, the immediacy to conclude these matters has dissipated.

When will my tax certificate be available for tax year end April 2023?

Your tax certificate will be available in Q4 2023. These will be made available via our portal and can be emailed to you on request. Please contact enquiries@stellar-am.com.

Is there an exit date for the partnership?

No exit is anticipated in the short term.



What is the taxation treatment of the Fund?

Income of the Partnership

Income arising to the Partnership will be treated for UK tax purposes as income arising directly to each Limited Partner in the proportion in which income is shared by the Limited Partners in accordance with the provisions of the Partnership Agreement. It is anticipated that rental income received by the Partnership will be fully used to pay the interest on the Loan Facilities and the balance of the rental income to amortise the Loan Facility balance. This will mean that there will be no distribution of profits to the Limited Partners. Interest payable on the Loan Facilities by the Partnership can be offset against the rental income of the Partnership for income tax purposes. Limited Partners should be aware that even though they will receive no distribution of net profits that they will still be liable to pay their share of the income tax due on those net profits at their marginal rate of tax direct to HMRC.

Capital Gains Tax

Each Limited Partner will be treated for the purpose of UK tax on chargeable gains as having a direct share in the Partnership Assets. The share of each Limited Partner will be equivalent to their interest in the Partnership Assets determined in accordance with the provisions of the Partnership Agreement. Upon the Partnership disposing of an asset to a third party, each Limited Partner will be treated as disposing of their share in the underlying asset. To the extent that any gain or loss arising on a disposal is treated for UK tax purposes as a capital gain or loss, each Limited Partner's share of any proceeds realised on disposal will be determined in accordance with the provisions of the Partnership Agreement. Any such capital gain will be based on the difference between the sale proceeds allocated to a Limited Partner's share in the Partnership Assets and the cost of the Limited Partner's Capital Contribution made to the Partnership before BPRA is taken into account.

What is the process for surrender and how long should it take to receive the proceeds?

At the time of investment, it was stated that the transferability of an interest in the Partnership would be restricted. We are currently unaware of any potential buyers for interests, so unfortunately would not be able to facilitate a sale at this time.