



PEEL HOTELS PLC

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## Interim Results

for the 28 week period ended 26 August 2007

## DIRECTORS AND ADVISORS

### Directors

Robert Edmund Guy Peel	Executive Chairman
Clement John Govett	Non-executive Director
Keith Peter Benham	Non-executive Director
Norbert Paul Gottfried Petersen	Chief Operating Officer

### Secretary

Sabretooth Law Ltd  
1 Berkeley Street, Mayfair, London W1J 8DJ

### Registered Office

4th Floor, 111 Old Broad Street, London EC2N 1PH

**Company registration number 3473990**

### Auditor

Grant Thornton UK LLP  
No 1 Whitehall Riverside, Leeds, LS1 4BN

### Bankers

Royal Bank of Scotland Plc  
280 Bishopsgate, London EC2M 4RB

### Registrars

Computershare Services Plc  
PO Box No. 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH

### Solicitors

Sabretooth Law Ltd  
1 Berkeley Street, Mayfair, London W1J 8DJ

Davidson Webber Solicitors  
Royal House, 110 Station Parade, Harrogate HG1 1EP

### Stockbrokers

KBC Peel Hunt Ltd  
4th Floor, 111 Old Broad Street, London EC2N 1PH

## CHAIRMAN'S STATEMENT

### Results

In the twenty eight weeks to 26 August 2007 turnover grew by 1% to £8,763,974 and operating profit increased by 11% to £1,378,888. Profit before tax increased by 45% to £755,226 reflecting better comparative energy costs in the period, less overall debt due to the sale of Aire House in Leeds in October 2006 for £2,050,000 and the benefit of the Cap on £7 million of our debt.

The comparative sales increase from our Hotels was 2.2% and accommodation revenue per available room (revpar) increased by 4.2% with occupancy up 1.7% and average room rate up 2.3%. Gross profit on Hotels increased 9.3% with return on sales improving from 25.6% to 28.0% illustrating the benefit of cost savings in the period. All the Hotels performed well in the period with the exception of the Strathdon in Nottingham which made a gross loss of £108,928.

Group overheads increased 10.7% (amounting to £43,944) and depreciation and amortisation increased 5.4% (amounting to £31,892).

Tax has been provided at 30%, less the discount on the deferred tax liabilities, giving an effective rate of 25%. Basic earnings per share were 4.4p compared with 3.0p in the comparative period on a weighted average 12,912,123 shares in issue. 55,000 employee share options were exercised in the period.

### Post Balance Sheet Events

On 30 August 2007 the Company announced that the Avon Gorge Hotel in Bristol together with the associated staff house at 10, Caledonia Place had been sold for an aggregate consideration of £15,500,000 in cash, paid on 3 September 2007. In view of the ongoing need for considerable reinvestment on the property and the attractive price offered, your Board felt they had no option other than to agree to sell the Hotel.

The Company announced on the same day that it had reached agreement on 24 August 2007 to sell the freehold of three quarters of an acre of land with planning permission for 99 apartments, office space and associated car parking at its Salem Street site in Bradford for a consideration of £2,000,000 with completion on 26 November 2007.

On 4 September 2007 the Company exchanged contracts to purchase the head lease and two small freeholds of the Bull Hotel in Peterborough for £2,350,000 thus saving the current rent payable of £211,540 per annum less £32,465 rent to the Landlord.

On 14 September 2007 Clermont Leisure (UK) Limited gained council approval for a gaming licence at the Midland Hotel in Bradford. The Company has agreed conditional heads of terms, for a twenty five year lease to rent the basement of the property, whereby Clermont Leisure (UK) Limited will make a significant investment in the construction of the new Casino.

The Company expect to report not less than £8,500,000 profit on disposal of property for the year ending 10 February 2008.

### Finance

On 26 August net debt stood at £15,387,609 representing loans totalling £15,057,639 and an overdraft of £843,672 less £513,702 cash at bank. Gearing on shareholders' funds was 93.2% with interest covered 2.2 times. Net debt increased £118,426 compared with the previous year end.

In simple terms, the net effect of the asset sales, apart from significant capital profit, will be to leave the Company totally debt free going forward. An orderly repayment of various loans is underway and we are currently reviewing options with regard to the unwinding of either one or two of our

## CHAIRMAN'S STATEMENT

financial instruments or keeping a proportion of funds on deposit with a view to minimising borrowing costs.

The Board has decided to pay an interim dividend of 2p amounting to £258,243 on 23 November 2007 to shareholders on the register on 26 October 2007. We expect the total annual dividends to exceed 5p that was paid last year.

### Capital Expenditure

£731,838 was spent in the period of which £216,292 was on the Avon Gorge Hotel mainly on renovating the outside of the building. Further external renovation works have been undertaken at the Midland Hotel in Bradford.

We have renovated 15 of the 68 bedrooms at the Strathdon Hotel in Nottingham to a high standard. Bedroom improvements have continued at the Crown and Mitre Hotel in Carlisle and have started at the Caledonian Hotel in Newcastle. The Ballroom at the King Malcolm in Dunfermline has been totally refurbished.

In line with our strategy of making all our Hotels more accessible for all, new bedrooms for the disabled have been constructed at the Caledonian in Newcastle, the Strathdon in Nottingham and the Golden Lion in Leeds. Improved wheelchair access to all our properties, together with first class bedrooms for the physically challenged, remains a top priority.

### Non-core Assets

We have achieved our plan to dispose of Salem Street (subject to successful completion) and we are currently awaiting planning permission for five apartments in our staff house on Grosvenor Place in Jesmond, Newcastle which, when received, will enable us either to rent or sell this property.

### Shareholders

We urge all Shareholders to visit our Hotels and see for themselves the major improvements we are making to the portfolio each year and to take advantage of our Shareholders' discount scheme. All Shareholders are entitled to a 30% discount, using the special reservation number, 0207 266 1100 or e-mail [info@peelhotel.com](mailto:info@peelhotel.com). Shareholders might like to visit our new website [www.peelhotels.co.uk](http://www.peelhotels.co.uk)

### The Future

The sale of the Avon Gorge Hotel, after the half year end, for £15,500,000 and Salem Street, for £2,000,000, has effectively left the Company with no debt, net of the acquisition of the head lease of the Bull Hotel in Peterborough. The Board believes that the Company is in a strong position going forward to consider the merits of expansion dependent upon beneficial market conditions.

There is still considerable scope to improve the overall performance and market positioning of the eight Hotels in the Portfolio which will self-fund capital improvements and deliver to Shareholders a progressive dividend policy.

Robert Peel

Chairman

9 October 2007

## PROFIT AND LOSS ACCOUNT

for the period ended 26 August 2007

	Note	28 weeks ended 26/8/2007 Unaudited		28 weeks ended 27/8/2006 Unaudited		Year ended 11/2/2007 Audited	
		£	£	£	£	£	£
<b>Turnover</b>		<b>8,763,974</b>		8,687,161		15,919,976	
<b>Cost of Sales</b>		<b>(6,307,610)</b>		(6,440,778)		(12,049,329)	
<b>Gross profit</b>		<b>2,456,364</b>		2,246,383		3,870,647	
<b>Administrative expenses</b>							
Depreciation		<b>(621,516)</b>		(589,624)		(1,133,957)	
Other		<b>(455,960)</b>		(412,016)		(742,857)	
		<b>(1,077,476)</b>		(1,001,640)		(1,876,814)	
<b>Operating profit</b>		<b>1,378,888</b>		1,244,743		1,993,833	
Profit on disposal of property		–		–		850,000	
Interest payable & similar charges		<b>(623,662)</b>		(723,563)		(1,280,713)	
<b>Profit on ordinary activities before taxation</b>		<b>755,226</b>		521,180		1,563,120	
Taxation	2	<b>(188,806)</b>		(130,295)		(299,000)	
<b>Profit on ordinary activities after taxation</b>		<b>566,420</b>		390,885		1,264,120	
<b>Earnings per share</b>	3						
Basic		<b>4.4p</b>		3.0p		9.8p	
Diluted		<b>4.1p</b>		2.9p		9.3p	

There are no recognised gains and losses other than stated above. Accordingly, no statement of total recognised gains and losses is given.

## BALANCE SHEET AS AT 26 AUGUST 2007

Note	26/8/2007 Unaudited £	27/8/2006 Unaudited £	11/2/2007 Audited £
<b>Fixed assets</b>			
Tangible assets	<b>34,858,166</b>	36,030,457	34,747,844
<b>Current assets</b>			
Stocks	<b>123,773</b>	126,416	116,581
Debtors	<b>1,295,384</b>	1,096,658	1,052,859
Cash at bank and in hand	<b>513,702</b>	237,720	158,530
	<b>1,932,859</b>	1,460,794	1,327,970
<b>Creditors (due within one year)</b>	<b>(4,292,896)</b>	(3,967,387)	(3,206,767)
Net current liabilities	<b>(2,360,037)</b>	(2,506,593)	(1,878,797)
Total assets less current liabilities	<b>32,498,129</b>	33,523,864	32,869,047
<b>Creditors (due after one year)</b>	<b>(14,315,369)</b>	(16,268,427)	(14,670,677)
<b>Provisions for liabilities and charges</b>	<b>(1,664,102)</b>	(1,630,492)	(1,664,102)
<b>Total assets</b>	<b>16,518,658</b>	15,624,945	16,534,268
<b>Capital and reserves</b>			
Called up share capital	<b>1,291,213</b>	1,284,412	1,285,713
Share premium account	<b>9,111,995</b>	9,058,876	9,068,950
Profit and loss account	<b>6,115,450</b>	5,281,657	6,179,605
<b>Equity shareholders' funds</b>	<b>16,518,658</b>	15,624,945	16,534,268

## CASH FLOW STATEMENT

for the period ended 26 August 2007

	Note	28 weeks ended 26/8/2007 Unaudited £	28 weeks ended 27/8/2006 Unaudited £	Year ended 11/2/2007 Audited £
<b>Net cash inflow from operating activities</b>	5	<b>1,785,736</b>	2,051,459	3,239,888
<b>Returns on investments and servicing of finance</b>				
Interest paid		<b>(562,186)</b>	(766,860)	(1,319,704)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(562,186)</b>	(766,860)	(1,319,704)
<b>Taxation</b>				
UK corporation tax paid		-	-	(107,482)
<b>Tax paid</b>		-	-	(107,482)
<b>Capital expenditure</b>				
Purchase of tangible fixed assets		<b>(731,838)</b>	(1,099,612)	(1,469,168)
Sale of tangible fixed assets		-	-	2,050,000
<b>Net cash outflow from capital expenditure</b>		<b>(731,838)</b>	(1,099,612)	580,832
<b>Equity dividends paid</b>		<b>(642,856)</b>	(608,576)	(608,576)
<b>Net cash outflow before financing</b>		<b>(151,144)</b>	(423,589)	1,784,958
<b>Financing</b>				
Issue of ordinary share capital		<b>48,545</b>	28,930	40,305
New long term loans		-	400,000	400,000
Less loan arrangement fees		-	-	(4,000)
Loan repayments		-	(125,000)	(2,107,945)
<b>Net cash inflow from financing</b>		<b>48,545</b>	303,930	(1,671,640)
<b>(Decrease)/increase in cash</b>	6	<b>(102,599)</b>	(119,659)	113,318
<b>Reconciliation of net debt</b>				
(Decrease)/increase in cash in the period		<b>(102,599)</b>	(119,659)	113,318
Cash inflow from increase in debt		-	(275,000)	1,707,945
Change in net debt resulting from cashflows		<b>(102,599)</b>	(394,659)	1,821,263
Non cash changes		<b>(15,827)</b>	(11,599)	(25,659)
Increase in net debt in the period		<b>(118,426)</b>	(406,258)	1,795,604
Net debt at beginning of period		<b>(15,269,183)</b>	(17,064,787)	(17,064,787)
<b>Net debt at end of period</b>	6	<b>(15,387,609)</b>	(17,471,045)	(15,269,183)

## NOTES TO THE INTERIM ACCOUNTS

for the period ended 26 August 2007

### 1 Basis of accounting

The interim financial information has been prepared on the basis of the accounting policies consistent with those applied in the last Annual Report.

The financial information set out in respect of the year ended 11 February 2007 does not constitute the company's statutory accounts for that year but is derived from those accounts. Statutory accounts for that year have been delivered to the Registrar of Companies. The auditor reported on those accounts and their report was unqualified. The interim financial statements have been reviewed by the Company's auditor and a copy of the auditor's review report is attached to this interim report.

### 2 Taxation

Tax has been provided at a rate of 25% which represents the expected effective rate for the full year. The Company has continued to discount its deferred tax liability.

### 3 Earnings per share

Earnings per share are based on the profit after taxation, and on the weighted average number of shares in issue during the period.

	28 weeks ended 26/8/2007 Unaudited	28 weeks ended 27/8/2006 Unaudited	Year ended 11/2/2007 Audited
Average No. Shares – Basic	<b>12,863,271</b>	12,828,035	12,831,222
– Diluted	<b>13,667,016</b>	13,431,446	13,512,236

### 4 Reconciliation of movements in shareholders' funds

	28 weeks ended 26/8/2007 Unaudited	28 weeks ended 27/8/2006 Unaudited	Year ended 11/2/2007 Audited
Profit for the period	<b>566,420</b>	390,885	1,264,120
Dividends paid relating to previous year	<b>(642,856)</b>	(608,576)	(608,576)
Issue of shares less expenses	<b>48,545</b>	28,930	40,305
Recognition of equity-settled share based payments	<b>12,281</b>	–	24,713
Net (decrease)/ increase in Shareholders' funds	<b>(15,610)</b>	(188,761)	720,562
Shareholders' funds at 11/02/07	<b>16,534,268</b>	15,813,706	15,813,706
Shareholders' funds at 26/08/07	<b>16,518,658</b>	15,624,945	16,534,268

## NOTES TO THE INTERIM ACCOUNTS

for the period ended 26 August 2007

### 5 Reconciliation of operating profit to net cash flow from operating activities

	28 weeks ended 26/8/2007 Unaudited £	28 weeks ended 27/8/2006 Unaudited £	Year ended 11/2/2007 Audited £
Operating profit	<b>1,378,888</b>	1,244,743	1,993,833
Depreciation	<b>621,516</b>	589,624	1,133,957
Recognition of equity-settled share based payments	<b>12,281</b>	–	24,713
(Increase)/decrease in stocks	<b>(7,192)</b>	(9,419)	416
Increase in debtors	<b>(242,525)</b>	(131,089)	(86,795)
Increase in creditors	<b>22,768</b>	357,600	173,764
Net cash inflow from operating activities	<b>1,785,736</b>	2,051,459	3,239,888

### 6 Analysis of net debt

	At beginning of period 12/2/2007 £	Cash flow £	Non cash changes £	At end of period 26/8/2007 £
Cash at bank and in hand	158,530	355,172	–	<b>513,702</b>
Bank overdraft	(385,901)	(457,771)	–	<b>(843,672)</b>
	(227,371)	(102,599)	–	<b>(329,970)</b>
Debt due within one year	(371,135)	(371,135)	–	<b>(742,270)</b>
Debt due after one year	(14,670,677)	371,135	(15,827)	<b>(14,315,369)</b>
Total	(15,269,183)	(102,599)	(15,827)	<b>(15,387,609)</b>

### 7 Financing

The original bank loan is repayable by semi-annual instalments plus a final payment on 11 April 2014. Interest is charged at 1.25% over LIBOR. The Company has entered into a collar agreement on £7 million which caps the Company interest cost at 6.99% plus margin of 1.25%. The minimum interest cost is 4.99% plus margin of 1.25%, up to 12 October 2009, except when LIBOR is below 4.99% between 24 June 2003 and 12 October 2009, in which case an additional 2% of interest is payable.

The Company has entered into a GBP roller coaster callable interest rate swap agreement which commenced on 11 April 2003 and ends on 11 April 2014 with an option for the Royal Bank of Scotland to terminate the agreement from 11 October 2009. Under the terms of this agreement the Company fixes its interest payments up to 11 April 2014 on outstanding loan balances which are not covered by the collar agreement. The fixed interest swap requires the Company to pay 5.83% on these amounts and therefore effectively fixes its borrowing costs on this portion of its debt portfolio at 7.08% (after inclusion of the 1.25% margin).

## **NOTES TO THE INTERIM ACCOUNTS**

**for the period ended 26 August 2007**

A loan of £2.5 million was taken to part fund the acquisition of the 3 hotels in the year ended 12 February 2006. This is repayable over 10 years by semi-annual instalments. Interest is charged at 1.25% over LIBOR.

The loans and overdraft are secured by debentures dated 7 December 1998, 8 September 1999, 21 June 2002 and 17 May 2005 over all of the Company's freehold and long leasehold properties.

A new loan of £400,000 was taken out last year to finance the redevelopment of the Princes Ballroom at the Midland Hotel, Bradford. Interest is charged at 1.25% over LIBOR.

On 5 September 2007 the Company repaid the £400,000 loan and the £2.0 million outstanding balance of the £2.5 million loan.

On 5 September 2007 the Company also settled future loan repayments on the original loan for the financial years 2007/08 and 2008/09, totalling £1,722,945.

# INDEPENDENT REVIEW REPORT TO PEEL HOTELS PLC

## **Introduction**

We have been instructed by the Company to review the financial information for the 28 weeks ended 26 August 2007 which comprises the profit and loss account, the balance sheet, the cash flow statement, the reconciliation of net debt and the related notes 1 to 7. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

This report is made solely to the Company's members, as a body, in accordance with guidance contained in APB Bulletin 1999/4 "Review of Interim Financial Information". Our review work has been undertaken so that we might state to the Company's members those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our review work, for this report, or for the conclusions we have formed.

## **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. They are responsible for preparing the interim report and ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of Interim Financial Information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 28 weeks ended 26 August 2007.

Grant Thornton UK LLP  
Chartered Accountants  
Leeds

9 October 2007



## PEEL HOTELS PLC

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TELEPHONE: 020 7266 1100 FAX: 020 7289 5746

Location	Hotel	Rating	Rooms	Telephone	Facsimile
Bradford	Midland Hotel	★★★★	90	01274 735735	01274 720003
Carlisle	Crown & Mitre Hotel	★★★★	94	01228 525491	01228 514553
Dunfermline	King Malcolm Hotel	★★★★	48	01383 722611	01383 730865
Leeds	Golden Lion Hotel	★★★★	89	0113 2436454	0113 2429327
Newcastle upon Tyne	Caledonian Hotel	★★★★	89	0191 2817881	0191 2816241
Nottingham	Strathdon Hotel	★★★★	68	0115 9418501	0115 9483725
Peterborough	Bull Hotel	★★★★	118	01733 561364	01733 557304
Wallingford	George Hotel	★★★★	39	01491 836665	01491 825359
Total of 8 Hotels			635		

For reservations at any Peel Hotel call **020 7266 1100**  
or dial into our web site on [www.peelhotels.co.uk](http://www.peelhotels.co.uk)  
e-mail – [info@peelhotel.com](mailto:info@peelhotel.com)