

CHAIRMAN'S STATEMENT

Results

Like for like hotel revenues fell by 3% and like for like hotel profits after depreciation and before Company administration costs decreased 35.4%. REVPAR (accommodation revenue per available bedroom) decreased 6.9% in the year with occupancy down 3.2% and average room rate down 3.8%. In an attempt to benchmark this result TRI Hospitality Consulting reported Provincial REVPAR in the United Kingdom down 10.8% and Price waterhouseCoopers reported a reduction of 12.6% in the calendar year 2009.

Total turnover was £14,186,042 of which £1,868,568 was in respect of the Norfolk Royale Hotel which was acquired on 1 June 2009 (2009: £12,720,245). Operating profit for the full year was £790,980 (2009: £907,095). EBITDA (Earnings before interest, tax and depreciation) was £2,005,080 (2009: £1,980,730).

The pre-tax result was a loss of £74,106 (2009: Profit of £664,429). After a full tax provision less the discount on the deferred tax liabilities and taking a further adjustment of £1,214,635 for an over provision of Capital gains tax for prior years, earnings per share were 8.1p and 8.1p on a diluted basis (2009: 7.4p basic and 7.4p diluted).

Clearly the results in the year under review were very disappointing and there is no real sign of a recovery in the economy from a provincial point of view. The lack of commercial activity in terms of cut backs in overnight stays, conferences and training courses has continued throughout the year whilst the supply side has grown in terms of new hotel openings that had been financed when credit was relatively easy.

On a like for like basis we lost some £524,240 of accommodation revenue, and this has had a significant impact on the year end results. Interestingly our two leisure reliant hotels, in Carlisle and Bournemouth, both significantly increased their occupancy illustrating that 'Staycations' (UK holidaymakers feeling the effects of the significant drop in the value of sterling and not travelling abroad) were helping sales at leisure driven destinations within the United Kingdom.

On a positive note it is satisfactory to report that food sales increased 3.5% and liquor sales increased 5% on a like for like basis.

Group overheads decreased £116,131 on the previous year to £634,417 and depreciation and amortisation was £1,214,100 (2009: £1,073,635).

Finance

At 7 February 2010 net debt stood at £14,794,570 representing loans totalling £13,007,387 and an overdraft of £1,892,095 less £104,912 cash at bank. Gearing on Shareholders' funds was 62.9% with interest covered 0.9 times. Net debt increased by £10,937,654 compared with the previous year.

The four star AA listed Norfolk Royale Hotel in Bournemouth was acquired on 1 June 2009 for a consideration of £8,250,000 together with £435,884 expenses. The additional bank debt assumed to finance this acquisition gave the Company the benefit of actually making use of our two financial instruments committed on 24 June 2003 and a significant saving on Capital Gains Tax due on the sale of the Avon Gorge Hotel in September 2007.

The cap and collar on £7,000,000 of our bank loan finished on 12 October 2009 and thereafter, in simple terms, the fixed interest swap at 5.83% plus margin of 1.95% is

CHAIRMAN'S STATEMENT

payable initially on £10,034,700 and thereafter on a declining balance until the swap ceases on 11 April 2014. Interest on the balance of the £12,331,100 bank loan is charged at six monthly LIBOR plus a margin of 1.95%.

In view of the continuing depressed trading environment, the uncertainty of the immediate future trading environment and with UK GDP growth under pressure, the Board have decided regrettably not to recommend a dividend in respect of the 2009/2010 financial year. Shareholders are well aware that the payment of a dividend is very much the Company's strategic purpose and it is a primary objective to be able to produce a payment in respect of the current financial year.

Capital Expenditure

In line with our strategy of accelerating capital improvements to our hotels, following the sale of assets in financial year 2007/2008, we spent £2,380,210 in the financial year.

£931,355 was spent on the public areas and a new restaurant and bar at the Cosmopolitan Hotel in Leeds (formerly the Golden Lion Hotel). These improvements affected the trading results at this hotel whilst extremely disruptive building works were ongoing in the first five months of the year.

£678,218 was spent in refurbishing to very high standards fifteen bedrooms and all the corridors at the Caledonian Hotel in Newcastle.

Work is continuing in gradually refurbishing the bedroom stock at the Midland Hotel using our own in house resources with a view to achieving an AA four star rating within the next couple of years. The Bull Hotel in Peterborough achieved the coveted AA four star rating in the year under review which is very satisfactory and value enhancing.



*The newly refurbished restaurant
at the Cosmopolitan Hotel in Leeds*

CHAIRMAN'S STATEMENT

The installation and commissioning of a fully integrated property management and EPOS system has been completed, the cost of which amounted to £129,936 in 2008/2009 and £273,051 in 2009/2010. We are optimistic that integrated guest history will greatly improve our ability to market and promote to our expanding customer base.

We will slow down our capital expenditure in the current financial year in order to conserve cash in what is still an uncertain market place. However our objective remains to upgrade our existing freehold properties to AA four star standards over time.

Shareholders

We are very sorry that Shareholders have had to forgo their interim and final dividend for the financial year 2009/2010 but look forward to reinstatement as soon as improved trading or asset sales allow.

We are very proud of our product and welcome Shareholders to our hotels so that they can see for themselves the improvements we have made to our product whilst enjoying a beneficial discount. All Shareholders are entitled to a 30% discount on listed tariff, using the special reservations number 0207 266 1100 or e-mail info@peelhotel.com. Shareholders can keep in touch with progress in the Company and various promotional initiatives by visiting our website www.peelhotels.co.uk

Staff

The Board would like to thank the management and staff for their contribution to the business of Peel Hotels and for the safety and well being of its guests. In these difficult times salaries and wages have had to mark time to compensate for the overall decline in demand and we are very grateful for their patience, loyalty and understanding. Our guest satisfaction levels have reached a high standard in the year and in the final analysis it is the staff's friendliness and care for our guests that will build the Company's reputation and thereby grow the business.

The Future

Unfortunately our optimism at the half year of achieving overall REVPAR growth was not to be in spite of room occupancy growth in the eighth, ninth and tenth periods of the year. However the REVPAR did improve from a cumulative shortfall of 8.8% at the half year to 6.9% at the year end.

The provincial market has yet to recover in terms of commercial activity whilst the relative cheapness of the pound, in relation to the majority of the world's currencies, augers well for improvement in the domestic discretionary market and incoming tourism. It is difficult at this stage to determine overall growth apart from market share.

The acquisition of the Norfolk Royale, no disruption at the Cosmopolitan Hotel and the benefit of our significant capital expenditure should put us in a better position for improvement in the current year.

Robert Peel

Chairman

22 April 2010

DIRECTORS AND ADVISERS

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

Thring Townsend Lee & Pembertons
Kinnaird House, 1 Pall Mall East, London SW1Y 5AU

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, Bridgewater Road, Bristol BS99 7NH

Solicitors

Thring Townsend Lee & Pembertons
Kinnaird House, 1 Pall Mall East, London SW1Y 5AU

Davidson Large
Royal House, 110 Station Parade, Harrogate HG1 1EP

Stockbroker

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

DIRECTORS' REPORT

The Directors present their report and the accounts of the Company for the year ended 7 February 2010.

Principal activity

The principal activity of the Company is the operation of hotels in the United Kingdom.

Review of the business and future prospects

A review of the Company's performance in the year and of its position at the year end is given in the Chairman's statement, together with an indication of likely future developments.

Results and dividends

The profit for the year after tax amounted to £1,140,529 (2009: £1,042,675). The Directors recommend that no dividend be paid. (2009: £772,946).

Executive Directors

Robert Peel, age 63, was appointed on 25 November 1997.

Norbert Petersen, age 63, was appointed on 11 September 1998.

Both of the above individuals held executive positions in the hotel industry for more than 20 years before joining Peel Hotels.

Non-executive Directors

John Govett, age 66, appointed on 23 February 1998, was formerly chairman of Schroder Investment Management.

Keith Benham, age 67, appointed on 23 February 1998, was formerly a senior partner at Linklaters.

Directors' interests

The Directors' interests are shown in note 24 to the accounts.

All of the Directors served throughout the year.

Substantial shareholdings

Save for the interests of Robert Peel, which are set out in note 24, the Directors are aware of the following who were interested, directly or indirectly, in 3 percent or more of the Company's shares as at 7 February 2010.

	Number of shares	Percentage of share capital
Charles Peel	2,685,000	19.2%
JP Morgan Fleming Asset Management	1,366,117	9.8%
Framlington Asset Management	633,471	4.5%
David Urquhart	564,752	4.0%
NCL Smith & Williamson	477,913	3.4%

The Directors are not aware of any persons, other than Robert Peel and his brother Charles Peel who, directly or indirectly, jointly or severally, exercise control over the Company.

DIRECTORS' REPORT

Tangible fixed assets

Movements on fixed assets are set out in note 9 to the accounts.

Charitable and political contributions

During the year there were no charitable or political contributions (2009: £nil).

Employees

Every effort is made to keep staff informed of and involved in the operation and progress of the Company. The policy of the Company for the employment of disabled persons is to give them equal opportunities with other employees to train for and attain any position in the Company having regard to the maintenance of a safe working environment and the constraints of their disabilities. Close attention is given to employees' health and safety with particular regard to the requirements of the Health and Safety at Work legislation.

Policy on payment to creditors

Whilst there is no formal creditor payment policy, it is the policy of the Company to settle the terms of payment with all suppliers when agreeing the terms for the transaction as a whole and to abide by such terms.

The Company's outstanding creditor days at the end of the year were 30.2 days (2009: 21.3 days).

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

1. Select suitable accounting policies, and then apply them consistently.
2. Make judgements and estimates that are reasonable and prudent.
3. State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
4. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention of fraud and other irregularities.

DIRECTORS' REPORT

In so far as each Director is aware:

1. There is no relevant audit information of which the Company's auditors are unaware.
2. The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' and officers' liability insurance

The Company has purchased Directors' and Officers' liability insurance.

Financial risk management

The Directors are confident that the banking and other borrowing facilities currently in place are more than adequate for the Company's working capital requirements. All the Company's sales and purchases are made in sterling; therefore the Company is not exposed to any significant currency risks.

The Directors are satisfied that the credit risk is adequately managed and the level of bad debt is consistent with the nature of the industry.

Interest rate risk is dealt with in note 14 to the financial statements.

Annual General Meeting

The notice convening the Annual General Meeting to be held at The Bull Hotel on Thursday 3 June 2010 at 12 noon is enclosed with this report.

Annual General Meeting resolutions

A resolution will be proposed at the Annual General Meeting to authorise the Directors generally and unconditionally to allot ordinary shares up to an aggregate nominal amount of £585,800 for the period from May 2010 to the conclusion of the Company's 2011 Annual General Meeting.

A resolution will be proposed, as a special resolution, authorising the Directors to allot ordinary shares for cash other than in accordance with section 561 of the Companies Act 2006. Section 561(1) provides pre-emption rights for shareholders when shares are issued for cash. The number of shares that may be so allotted will be restricted to 1,401,200 being 10% of the current issued share capital. The disapplication of Section 561 of the Companies Act 2006 will be limited in time and will expire at the same time as the authority to allot.

A resolution will be proposed, as a special resolution, adopting new articles of association taking advantage of the provisions of the Companies Act 2006.

The usual ordinary business will be considered, including receipt of the Company's Report

DIRECTORS' REPORT

and Accounts and re-appointing Grant Thornton UK LLP as auditors. Resolutions will be proposed to re-elect Norbert Petersen and Keith Benham who retire by rotation in accordance with the Company's Articles of Association and who, being eligible, offer themselves for re-election.

Directors' recommendation

The Directors believe that all the resolutions being proposed are in the best interests of the Company, its Shareholders and employees. They recommend Shareholders to vote in favour of the resolutions, as they intend to do in respect of the shares beneficially owned by them. When considering what action to take, Shareholders are advised to consult a stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000.

Auditor

The auditor, Grant Thornton UK LLP, has indicated a willingness to be re-appointed and a resolution will be proposed at the Annual General Meeting to re-appoint Grant Thornton UK LLP and to authorise the Directors to fix the auditor's remuneration.

22 April 2010
Registered Office
4th Floor
111 Old Broad Street
London EC2N 1PH

By order of the board
Thring Townsend Lee & Pembertons
Secretary

CORPORATE GOVERNANCE

Peel Hotels Plc is listed on AIM and is not subject to the requirements of the 2003 Combined Code on corporate governance, nor is it required to disclose its specific policies in relation to corporate governance. However, the Directors are committed to delivering high standards of corporate governance to the Company's Shareholders and other stakeholders including employees.

Directors

The Board currently comprises two Executive and two Non-executive Directors and meets regularly throughout the year. It leads and controls the Company by taking responsibility for overall projects and consideration of significant financing matters. It reviews the strategic direction of operations and annual budgets, progress towards achievement of those budgets and the longer-term strategies.

The Board is chaired by Robert Peel who also acts as the Company's Chief Executive. Robert Peel was appointed at the incorporation of the Company. Due to the size of its business, the Company has not segregated the position of Chairman and Chief Executive. The Board believes that the presence of strong Non-executives make this position appropriate for the business at this time. All other Board members were appointed during the first fully reported financial period to 21 February 1999. Although the Board presently has only two Non-executive Directors, they have between them considerable and varied experience in the business world and the City. Non-executive Directors are appointed for successive 12-month terms, renewable at the invitation of the Board, and are subject to re-election by Shareholders in accordance with the Company's Articles of Association. Their objective views and sound advice carry considerable weight in relation to all matters considered at Board meetings. Between formal meetings the Chief Executive remains in touch with the Non-executives, consulting them on appropriate issues and updating them on the Company's progress. The responsibility has been shared and neither of the Non-executive Directors has assumed the role of senior independent Director.

The Board meets regularly (meeting on 7 occasions in the financial period to 7 February 2010). Prior to each Board meeting and at the end of each of the Company's four weekly accounting periods, every member of the board is supplied with a full set of management accounts together with a summary of the key features of the Company's performance overall. This includes an analysis of the performance against the original budget for the year and the previous year's performance. The Board papers also include other documents which relate to matters included in the agenda, as appropriate, in order to ensure that members of the Board are given the fullest opportunity for consideration of matters to be discussed at meetings.

The Board has determined that it is appropriate for matters which would normally be delegated to a nomination committee to be referred to the full Board. The Board, acting as a nomination committee, meets at least once a year to carry out the selection process for new Board members and to propose any new appointments to the Board, whether Executive or Non-executive.

The Articles of Association of the Company require that all Directors submit themselves for re-election and that in any given year the number to retire is not less than one third of the Directors, being those who have been in office for the longest period of time.

CORPORATE GOVERNANCE

There are agreed procedures by which Directors are able to take independent professional advice on matters relating to their duties, if necessary, at the expense of the Company. The Board has also resolved that any question of removal from office of the Company Secretary is a matter to be considered by the Board as a whole.

The Company uses external services provided by Thring Townsend Lee & Pembertons, the Company's solicitors, for Company secretarial matters. All Directors have access to the Company Secretary.

Directors' remuneration

The Company believes and seeks to ensure that the remuneration packages it offers its Executive Directors are fair. Other elements of the remuneration package offered to Directors include benefits in kind and share options. Further details of the Company's remuneration policy are contained in the Directors' Remuneration Report.

Relations with shareholders

The Chief Executive is always available to meet with key institutional Shareholders. In addition, the Company uses the Annual General Meeting to provide private investors with an update on the Company's progress and strategy. Shareholders are encouraged to attend the Annual General Meeting when members of the Board would be delighted to answer questions.

Accountability and audit

The Board seeks to ensure that its Annual Report and Accounts and other public financial statements provide a balanced and understandable assessment of the Company's position.

The Audit Committee consists of both Non-executive Directors under the Chairmanship of John Govett. The Audit Committee meets at least twice a year. The Committee provides a forum for reporting by the Company's external and internal auditors. Meetings are also attended, by invitation, by Robert Peel.

The Company has an established internal audit function whose primary responsibility is to formalise internal audit procedures and to provide continuous independent review of the Company's internal controls and business practices. The internal audit function reports to the Audit Committee on a regular basis.

Internal controls

The Board is responsible for reviewing the effectiveness of the system of internal control. The Board has delegated to executive management the implementation of the systems of internal control.

Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The following processes take place on an ongoing basis.

- Review of reports prepared throughout the year by the internal auditor.
- Weekly and monthly reporting of financial information including profit and loss

CORPORATE GOVERNANCE

accounts, balance sheets, cash flow statements and other key performance indicators.

- Regular reporting to the Board on certain specific matters including treasury management, insurances, legal and health and safety issues.
- The Chairman of the Audit Committee reports the outcome of audit meetings to the full Board of Directors.

Senior management from all key disciplines have been involved in the process of risk assessment in order to identify and assess objectives, key issues and controls. Further review has been performed to identify those risks relevant to the Company and to manage operational, compliance, financial and business risk.

The key procedures that have been established and are designed to provide effective internal control are:

FINANCIAL INFORMATION

Detailed annual budgets are prepared in advance of each financial year. These are reviewed and agreed by the Board with subsequent actual monthly performance reported against these budgets, updated forecasts and prior year comparatives. In addition, separate regular reviews of the overall profitability of the individual hotels are performed and monitored by the Chief Executive.

QUALITY AND INTEGRITY OF PERSONNEL

All members of management responsible for staff recruitment are made aware of the levels of experience and expertise required.

OPERATING UNIT FINANCIAL CONTROLS

Key controls over major financial risks include reviews against performance indicators and exception reporting. The operating units make regular assessments of their exposure to major financial risks and the extent to which these risks are controlled, which are considered during internal audit visits.

COMPUTER SYSTEMS

The Company has established controls and procedures over the security of data held on computer systems. The arrangements are tested regularly and reviewed by the Company's management.

CONTROLS OVER CENTRAL FUNCTIONS

A number of the Company's key functions, including treasury and taxation, are dealt with centrally. Each of these functions is required to report to the Board on a regular basis. These central functions are also subject to self-assessment and review by the Company's internal auditor.

The Board has conducted a review of the system of internal control for the year ended 7 February 2010 and up to the date of this report.

DIRECTORS' REMUNERATION REPORT

Composition of the remuneration committee

The remuneration committee ('the committee') is comprised solely of the Non-executive Directors, John Govett and Keith Benham. The committee makes its decisions following consultation with the Chief Executive and has access to professional advice from outside the Company. The remuneration of the Executive Chairman is set by the Non-executives.

Remuneration policy for Executive Directors

The Company wishes to attract and retain senior management of the highest quality. Accordingly, its policy, in a competitive market, is to design remuneration packages which, through an appropriate combination of basic salary and share options, reward senior managers fairly and responsibly for their individual contributions.

Basic salary

An individual's basic salary is reviewed and determined by the committee annually, taking into account his or her performance and responsibilities within the Company. In deciding the appropriate level, the committee has access to external research and information on a range of peer companies.

Share options

The committee believes that share ownership by Executive Directors and senior management also helps to strengthen the link between their personal interests and the longer term interests of the Company's Shareholders. Grants of options are based on performance and are reviewed annually. Exceptionally, grants may be awarded on appointment.

Movements in share options are detailed in note 25.

Pension arrangements

The Company operates an approved money purchase pension scheme for Executive Directors and certain other members of staff. Members of the scheme contribute 5% of their salary, and the Company contributes 9%.

The Company has complied with statutory requirements regarding stakeholder pensions.

Non-executive Directors' remuneration

Fees payable to Non-executive Directors are determined by the Board of Directors, other than the Non-executive Directors, within the limits set by the Articles of Association.

Service contracts and re-election to the Board

At the Annual General Meeting, one third of the Directors will retire by rotation and, if eligible, may offer themselves for re-election. All Executives and Non-executive Directors have notice periods or unexpired terms not greater than twelve months.

Executive Directors' other appointments

Executive Directors are not permitted to hold any other Executive positions but, subject to Board approval, may hold Non-executive Directorships.

DIRECTORS' REMUNERATION REPORT

Directors' remuneration

	Current annual salary/fees £	Salary/fees £	Other benefits £	52 weeks 7 February 2010 £	52 weeks 8 February 2009 £
Executive					
R E G Peel	50,000	50,000	998	50,998	51,075
N P G Petersen	85,000	73,558	1,398	74,956	76,667
Non-executive					
C J Govett	20,000	20,000	–	20,000	20,000
K P Benham	20,000	20,000	–	20,000	20,000
Total	175,000	163,558	2,396	165,954	167,742

Other benefits consist of private health and life insurance.

Directors' pension arrangements

A contributory money purchase pension scheme is in operation and the amounts paid by the Company were:

	52 weeks 7 February 2010 £	52 weeks 8 February 2009 £
Executive		
R E G Peel	–	–
N P G Petersen	9,000	9,000
Total	9,000	9,000

Share options granted to Directors

Executive	Date of grant	Number of options granted	Exercise price per share (pence)	Earliest exercise date	Expiry date
N P G Petersen	16.05.02	50,000	87.5	16.05.05	15.05.12
Total		50,000			

The market price of the shares at 7 February 2010 was 92.5 pence and the range during the year was 87.5 pence to 123 pence.

22 April 2010

By order of the Board
Keith Benham
John Govett
Non-executive Directors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEEL HOTELS PLC

We have audited the financial statements of Peel Hotels plc for the 52 weeks ended 7 February 2010 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 7 February 2010 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEEL HOTELS PLC

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns;
or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Tim Lincoln
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
22 April 2010

PROFIT & LOSS ACCOUNT

For the 52 weeks ended 7 February 2010

	Note	7 February 2010 £	8 February 2009 £
Turnover	1		
Continuing operations		12,317,474	12,720,245
Norfolk Royale acquired 01/06/2009		1,868,568	–
Total turnover		14,186,042	12,720,245
Cost of Sales			
Continuing operations		(10,084,982)	(9,988,967)
Norfolk Royale acquired 01/06/2009		(1,461,563)	–
Total cost of sales		(11,546,545)	(9,988,967)
Gross Profit			
Continuing operations		2,232,492	2,731,278
Norfolk Royale acquired 01/06/2009		407,005	–
Total gross profit		2,639,497	2,731,278
Administrative expenses			
Depreciation	(1,214,100)		(1,073,635)
Other	(634,417)		(750,548)
		(1,848,517)	(1,824,183)
Operating profit			
Total operating profit		790,980	907,095
Net Interest	2	(865,086)	(242,666)
(Loss) profit on ordinary activities before taxation	3	(74,106)	664,429
Taxation	4	1,214,635	378,246
Profit on ordinary activities after taxation	17	1,140,529	1,042,675
Earnings per share	8		
Basic		8.1p	7.4p
Diluted		8.1p	7.4p

Movements on reserves are shown in note 17 to the accounts.

There are no recognised gains and losses for the current financial year and preceding financial year other than the profit shown above.

The accompanying accounting policies and notes form an integral part of these financial statements.

BALANCE SHEET

As at 7 February 2010

	Note	7 February 2010 £	8 February 2009 £
Fixed assets			
Tangible assets	9	39,513,792	29,661,798
Current assets			
Stocks	10	112,840	92,945
Debtors	11	1,227,562	1,205,298
Cash at bank and in hand		104,912	132,405
		1,445,314	1,430,648
Creditors (due within one year)	12	(5,203,856)	(4,519,391)
Net current liabilities		(3,758,542)	(3,088,743)
Total assets less current liabilities		35,755,250	26,573,055
Creditors (due after one year)	13a)	(11,557,618)	(3,004,781)
Provision for liabilities	15	(561,000)	(588,000)
Total assets		23,636,632	22,980,274
Capital and reserves			
Called up share capital	16	1,401,213	1,401,213
Share premium account	17	9,743,495	9,743,495
Profit and loss account	17	12,491,924	11,835,566
Equity shareholders' funds	17	23,636,632	22,980,274

The accompanying accounting policies and notes form an integral part of these financial statements.

Approved by the Board on 22 April 2010

Robert Peel, Director

Norbert Petersen, Director

CASH FLOW STATEMENT

For the 52 weeks ended 7 February 2010

	Note	£	52 weeks to 7 February 2010 £	£	52 weeks to 8 February 2009 £
Net cash inflow from operating activities	19		2,345,561		1,269,258
Returns on investments & servicing of finance					
Interest paid		(760,549)		(181,745)	
Net cash outflow from returns on investments and servicing of finance			(760,549)		(181,745)
Taxation					
UK corporation tax paid		(1,050,566)		64	
Tax paid			(1,050,566)		64
Capital expenditure					
Purchase of tangible fixed assets		(2,380,960)		(2,010,773)	
Acquisition of hotel		(8,685,134)			
Net cash (outflow) from capital expenditure			(11,066,094)		(2,010,773)
Equity dividend paid		(490,424)		(2,874,765)	
Net cash (outflow) before financing			(11,022,072)		(3,797,961)
Financing					
New loans		13,331,100		–	
Loan repayments		(4,228,616)		–	
Net cash inflow from financing			9,102,484		–
Decrease in cash	20		(1,919,588)		(3,797,961)
Reconciliation of net debt					
Decrease in cash			(1,919,588)		(3,797,961)
(Increase) in debt			(9,102,484)		–
Increase in net debt resulting from cash flows			(11,022,072)		(3,797,961)
Non cash changes			84,418		(18,538)
(Increase) in net debt in the year			(10,937,654)		(3,816,499)
Net debt at beginning of year			(3,856,916)		(40,417)
Net debt at end of year	20		(14,794,570)		(3,856,916)

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF ACCOUNTING POLICIES

1 Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. The principal accounting policies of the Company are set out below and have remained unchanged.

During the year the Company was financed via a long term loan facility and overdraft from its bankers and a short term, unsecured loan from its major shareholder. The long term loan facility was used to finance the purchase of the Norfolk Royale Hotel and the overdraft facility is utilised for the day to day working capital of the Company. The loan from its major shareholder was used to finance an enhanced capital expenditure programme across the Company's hotels.

After making enquiries, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

2 Basis of preparation

The financial year consists of the 52 weeks ended 7 February 2010.

3 Acquisitions

On the acquisition of a business, fair values are attributable to the Company's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and, following the implementation of FRS 10, is capitalised in the Company balance sheet in the year of acquisition.

The results and cash flows relating to a business are included in the profit and loss account and the cash flow statement from the date of acquisition.

4 Turnover

Turnover represents amounts receivable from the provision of hotel services including room hire, bar and restaurant takings and is stated after deduction of value added tax.

Room and inclusive breakfast revenue is recognised at the end of the financial day. All other revenue such as bar and restaurant takings are recognised at the point of sale.

Any deposits received are utilised at check-in.

5 Stocks

Stocks are valued at current cost price at date of stock take. This is considered to equate to actual cost.

6 Leases

Leases where the Lessor retains substantially all of the risks and rewards of ownership are classified as operating leases.

Operating lease rentals are charged to profit and loss account on a straight line basis over the period of the lease.

7 Fixed assets and depreciation

It is the Company's policy to maintain its properties to a high standard in order to protect its trade.

STATEMENT OF ACCOUNTING POLICIES

Depreciation is charged on freehold and long leasehold properties, excluding freehold land, at a rate calculated to write off the cost, less residual value, on a straight line basis, over 50 years.

Short leasehold properties are written off over the remaining period of the lease.

On other assets depreciation is charged to write off their costs by equal annual instalments over their estimated useful lives, which are considered to be:

Plant, fixtures and fittings, and equipment	10 years
Soft furnishings	8 years
Office equipment	5 years
Computer equipment	3 years

8 Share-based payments

The Company's policy is that all share-based payment arrangements granted after 7 November 2002 are recognised in the financial statements. FRS 20 has been applied to grants before 7 November 2002 only where the Company has disclosed publicly the fair value of those equity instruments, determined as at the grant date in accordance with FRS 20.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to the profit and loss account reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received, net of attributable transaction costs, are credited to share capital, and where appropriate share premium.

9 Deferred taxation

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that the underlying timing differences will reverse.

STATEMENT OF ACCOUNTING POLICIES

10 Capital instruments

Capital instruments are recorded at the fair value of the consideration received less issue costs in accordance with FRS4. The difference between the net proceeds of the issue and the total amounts of payments that the issuer may be required to make is recorded as a finance cost of the instrument and written off over the life of the instrument. Capital instruments are subsequently recorded at amortised cost.

11 Pensions

The Company operates a money purchase pension scheme on behalf of individual employees. Contributions to the scheme are charged against profits in the period in which they arise.

12 Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

13 Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in the previous year.

NOTES TO THE ACCOUNTS

Financial year ended 7 February 2010

1 Turnover and loss

Turnover represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities after deduction of value added tax. All of the turnover and loss on ordinary activities before taxation arises in the United Kingdom.

All net assets are based in the United Kingdom.

2 Net Interest

	2010 £	2009 £
Interest on long term bank loans	551,164	273,347
Interest on other loans	15,121	–
Interest on bank overdraft	34,734	12,621
Bank charges, fees and instrument costs	264,190	53,238
	865,209	339,206
Interest receivable	(123)	(96,540)
Net interest	865,086	242,666

3 Loss on ordinary activities before taxation

This is stated after charging:

Depreciation	1,214,100	1,073,635
Repairs and renewals – hotels	521,857	453,196
Repairs and renewals – other	16,662	14,101
Auditor's remuneration for audit services	29,000	22,500
Auditor's remuneration for tax compliance services	23,940	36,242
Auditor's remuneration for audit service to Company pension scheme	550	500

4 Tax on profit on ordinary activities

a) Analysis of charge in year

Current Tax

Corporation tax charge for year	(97,382)	233,000
Over provision in respect of prior years	(1,090,253)	(492,246)
Total current tax	(1,187,635)	(259,246)

Deferred Tax

Origination and reversal of timing differences	(27,000)	(119,000)
Total deferred tax	(27,000)	(119,000)
Tax on profit on ordinary activities	(1,214,635)	(378,246)

NOTES TO THE ACCOUNTS

Financial year ended 7 February 2010

b) Factors affecting tax charge for year

The current tax charge is less than 28% of profit on ordinary activities for the reasons set out in the following reconciliation:

	2010 £	2009 £
Profit (loss) on ordinary activities before tax	(74,106)	664,429
Profit (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	(20,750)	186,040
Effects of:		
Disallowable expenditure and IBA's claimed	(48,173)	(84,626)
Depreciation for the period in excess of capital allowances	(16,332)	137,560
Other short term timing differences	(5,249)	3,345
Rate differences on current tax	(6,878)	(9,319)
Adjustment in respect of prior year	(1,090,253)	(492,246)
Corporation tax charge for the year	(1,187,635)	(259,246)

The adjustment in respect of prior year arises from the claiming of rollover relief by way of the acquisition of the Norfolk Royale Hotel against an element of the charge suffered on the disposal of the Avon Gorge Hotel.

5 Staff costs	2010 £	2009 £
Wages and salaries	4,975,205	4,390,831
Employer's social security costs	348,726	325,100
Pension costs	58,113	58,436
	5,382,044	4,774,367
Average number of people employed under contracts of service:	Number	Number
Directors	4	4
Other employees	436	385
	440	389

NOTES TO THE ACCOUNTS

Financial year ended 7 February 2010

6 Directors' remuneration	2010 £	2009 £
Aggregate emoluments:		
Fees	40,000	40,000
Salaries and benefits	125,954	127,742
	165,954	167,742
Company contributions to money purchase pension schemes	9,000	9,000
	Number	Number
Number of Directors who are members of a money purchase pension scheme	1	1

Further details of Directors' Remuneration are contained in the Directors' Remuneration report on pages 12 and 13.

7 Dividends	2010 £	2009 £
Equity dividends on ordinary shares		
Dividend paid during the year	490,424	490,424
Interim dividend paid during the year	–	282,522
Bonus dividend paid during the year	–	2,101,819
Proposed after the year end (not recognised as a liability)	–	490,424

8 Earnings per share	2010	2009
Basic	14,012,123	14,012,123
Calculated on average number of shares in issue during the year and on profit after taxation	£1,140,529	£1,042,675
Diluted	14,017,518	14,100,551
Calculated on average of number of shares available during year and on the profit after taxation	£1,140,529	£1,042,675

In calculating the diluted earnings per share, the weighted average number of shares is adjusted for the dilutive effect of the share options by 5,395 (2009: 88,428), giving an adjusted number of shares of 14,017,518 (2009: 14,100,551).

NOTES TO THE ACCOUNTS

Financial year ended 7 February 2010

9 Tangible fixed assets	Land & buildings £	Plant & machinery £	Furniture, furnishings & equipment £	Total £
Cost				
At beginning of year	25,313,645	4,255,665	6,404,368	35,973,678
Additions	8,404,520	984,090	1,677,484	11,066,094
Fully depreciated items	–	–	(1,347,725)	(1,347,725)
At end of year	33,718,165	5,239,755	6,734,127	45,692,047
Depreciation				
At beginning of year	464,923	2,361,433	3,485,524	6,311,880
Provision for the year	88,451	515,871	609,778	1,214,100
Fully depreciated items	–	–	(1,347,725)	(1,347,725)
At end of year	553,374	2,877,304	2,747,577	6,178,255
Net book value				
At beginning of year	24,848,722	1,894,232	2,918,844	29,661,798
At end of year	33,164,791	2,362,451	3,986,550	39,513,792

Analysis of the net book value of land & buildings

	2010 £	2009 £
Freehold	24,057,693	15,709,791
Long leasehold	6,775,783	6,759,186
Short leasehold	2,331,315	2,379,745
	33,164,791	24,848,722

10 Stocks

Stocks comprise food and liquor.

	2010 £	2009 £
Trade debtors	500,243	497,499
Corporation tax	97,382	–
Prepayments	629,937	707,799
	1,227,562	1,205,298

NOTES TO THE ACCOUNTS

Financial year ended 7 February 2010

12 Creditors due within one year	2010 £	2009 £
Bank loans and overdraft (secured)	2,341,864	984,540
Other loans	1,000,000	–
Trade creditors	572,998	351,712
Tax and social security	468,458	270,307
Corporation tax	–	2,140,818
Other creditors	254,919	177,683
Accruals and deferred income	565,617	594,331
	5,203,856	4,519,391

Bank loans and overdraft includes an amount for bank overdraft of £1,892,095 (2009: £nil). The overdraft facility of £2,000,000 is due for review on 1 June 2010.

13a Creditors due after one year	2010 £	2009 £
Bank loan (secured)	11,661,955	3,024,700
Less loan arrangement fees prepaid	(104,337)	(19,919)
	11,557,618	3,004,781

On 1 June 2009 the Company took a loan of £12,331,100 to assist with the purchase of the Norfolk Royale Hotel and to refinance the existing LIBOR loan (with an outstanding balance of £3,506,063 as at 28 May 2009). Interest is charged at 1.95% above LIBOR.

The loan is repayable by 9 half yearly instalments calculated on a 20 year capital and interest repayment programme with a final lump sum repayment due 5 months after the date the penultimate instalment is paid.

The Company entered into a collar agreement on £7 million which caps the Company interest cost at 6.99% plus margin of 1.95% on £7 million of the new loan. The minimum interest cost was 4.99% plus margin of 1.95% up to 12 October 2009, except when LIBOR was below 4.99% between 24 June 2003 and 12 October 2009; in which case an additional 2% of interest was payable. This arrangement ceased on 12 October 2009.

The Company 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 on £3,526,970 of the new loan not covered by the collar until 12 October 2009, increasing on that date to £10,034,700 when the collar agreement ended. This amount decreases by £492,270 every six months until 11 April 2014.

Under the fixed interest swap the Company pays 5.83% plus margin of 1.95% on these amounts.

The bank loan and overdraft are secured by a debenture dated 6 March 1998 over all the Company's freehold and long leasehold properties.

NOTES TO THE ACCOUNTS

Financial year ended 7 February 2010

Instalments due after more than one year are as follows:	2010 £	2009 £
Between 1 and 2 years	464,877	984,540
Between 2 and 5 years	977,121	2,040,160
Over 5 years	10,219,957	–
	11,661,955	3,024,700
Less loan arrangement fees	(104,337)	(19,919)
	11,557,618	3,004,781

13b Total borrowings	2010 £	2009 £
Between 1 and 2 years	464,877	984,540
Between 2 and 5 years	977,121	2,040,160
Over 5 years	10,219,957	–
	11,661,955	3,024,700
Less loan arrangement fees	(104,337)	(19,919)
	11,557,618	3,004,781
On demand and less than one year	3,341,864	984,540
Total borrowings	14,899,482	3,989,321

14 Financial instruments

The Company has defined financial assets and liabilities as those assets and liabilities of a financial nature, namely cash and borrowings. Short term debtors/creditors and prepayments and accruals have been excluded. Financial assets and liabilities are all in sterling and are linked to the London Interbank Offer Rate, before consideration of the effect of the collar arrangement as described in note 13a. The interest rate swap agreement, which converts part of the floating rate borrowing to a fixed rate, became effective on 11 April 2003.

Total gross financial assets at 7 February 2010 were £104,912 (2009: £132,405) and total gross financial liabilities were £14,899,482 (2009: £3,989,321).

TREASURY POLICY

The Company finances its activities by a combination of long and short term bank facilities. It is, and has been throughout the period under review, the Company's policy not to trade in financial instruments.

LIQUIDITY RISK

The only financial asset held by the Company is that of cash at bank and in hand which does not earn interest and is repayable on demand.

The maturity profile of the Company's overdraft and long term borrowings is included in note 13 b).

NOTES TO THE ACCOUNTS

Financial year ended 7 February 2010

The Company produces cash flow forecasts in order to ensure that liabilities are met as they fall due.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The Directors believe that there is no material difference between the book value and the fair value of all financial assets and liabilities as at the balance sheet date, except as noted below.

The Company entered into a GBP roller coaster callable interest rate swap which came into effect on 11 April 2003 (as set out in note 13a). The estimated value of this financial instrument at 7 February 2010 is a liability of £1,222,103 (2009: £1,029,762). The fair value of all financial liabilities has been reached using the net present value of the expected cash flows from the transactions and based on the assumption of no unusual market conditions or forced liquidation.

CURRENCY RISK

The Company has no material currency risk exposure due to the absence of any assets or liabilities denominated in foreign currencies.

15 Provision for liabilities	2010 £	2009 £
Accelerated capital allowances	603,000	587,000
Short term timing differences	(42,000)	1,000
Provision for deferred tax	561,000	588,000
Provision at start of year	588,000	707,000
Adjustment in respect of prior years	-	21,888
Profit and loss account charge	(27,000)	(140,888)
Provision at end of year	561,000	588,000

As at the end of the year there is no unprovided deferred tax (2009: £nil)

16 Called up share capital	Number	Amount £
Authorised		
Ordinary shares of 10p each		
At beginning and end of year	25,000,000	2,500,000
Allotted and fully paid		
Ordinary shares of 10p each		
At beginning and end of year	14,012,123	1,401,213

NOTES TO THE ACCOUNTS

Financial year ended 7 February 2010

17 Combined statement of the movement in Shareholders' funds and statement of movement on reserves

	Called up share capital £	Share premium account £	Profit & loss account £	2010 Total £	2009 Total £
Opening balance	1,401,213	9,743,495	11,835,566	22,980,274	24,800,418
Profit attributed to members of the Company	–	–	1,140,529	1,140,529	1,042,675
Dividend paid	–	–	(490,424)	(490,424)	(2,874,765)
Recognition of equity-settled share based payments in the year	–	–	6,253	6,253	11,946
Closing balance	1,401,213	9,743,495	12,491,924	23,636,632	22,980,274

18 Capital commitments

	2010 £	2009 £
Contracted for but not provided in the accounts	22,000	977,000

19 Reconciliation of operating profit to net cash inflow from operating activities

	2010 £	2009 £
Operating profit	790,980	907,095
Depreciation	1,214,100	1,073,635
Recognition of equity-settled share-based payments	6,253	11,946
(Increase) in stocks	(19,895)	(6,159)
Decrease in debtors	80,749	94,573
Increase/(decrease) in creditors	273,374	(811,832)
Net cash inflow from operating activities	2,345,561	1,269,258

20 Analysis of net debt

	At beginning of year £	Cash flow £	Non cash changes £	At end of year £
Cash at bank and in hand	132,405	(27,493)	–	104,912
Bank overdrafts	–	(1,892,095)	–	(1,892,095)
	132,405	(1,919,588)	–	(1,787,183)
Debt due within one year	(984,540)	(465,229)	–	(1,449,769)
Debt due after one year	(3,004,781)	(8,637,255)	84,418	(11,557,618)
Total	(3,856,916)	(11,022,072)	84,418	(14,794,570)

NOTES TO THE ACCOUNTS

Financial year ended 7 February 2010

21 Leases	2010 £	2009 £
Operating lease rentals charged to profit and loss account:		
Land and buildings	559,737	549,371
Hire of plant and machinery	176,475	143,685
	736,212	693,056
Commitments under operating leases to pay rentals during the next year:		
Land and buildings		
Expiring after 5 years	563,503	550,773
Plant and machinery		
Expiring in more than 2 years but less than 5 years	197,873	143,685

22 Related party transactions

During the year premiums of £199,186 (2009: £177,307) were paid to T L Dallas & Co Limited in which Robert Peel is a Shareholder. There was no outstanding amount at the balance sheet date (2009: £nil).

The Company pays rent on the London property used as its Head Office, which is owned by Robert Peel. The passing rent is £35,000 per annum.

The Director's loan of £1,000,000 due to R Peel is unsecured and is repayable on demand. The loan bears interest at 2.5% over base rate.

There were no other significant transactions between these parties during the year.

23 Controlling interests

Robert Peel is the largest Shareholder. Together with his brother Charles Peel, by reason of their interest they are deemed to control the Company.

24 Directors' interests

	7 February 2010 10p ordinary shares		8 February 2009 10p ordinary shares	
	Shares Number	Options Number	Shares Number	Options Number
Robert Peel	5,496,900	–	5,496,900	–
Norbert Petersen	41,830	50,000	41,830	50,000
John Govett	350,000	–	350,000	–
Keith Benham	168,801	–	168,801	–
Total	6,057,531	50,000	6,057,531	50,000

Keith Benham's interest includes 42,200 (2009: 42,200) shares owned by his wife.

Details of options granted to the Directors can be found on page 13.

NOTES TO THE ACCOUNTS

Financial year ended 7 February 2010

No Director was materially interested, either at the year end or during the year, in any contract of significance to the Company except for the related party transactions as disclosed in note 22.

25 Share options

The Company has granted share options to employees of the Company. Such options are exercisable at a price established at the date the option is granted. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Company before the options vest.

Details of the share options outstanding during the year are as follows:

Exercise price	Earliest exercise date	Latest exercise date	Options held at 08/02/09	Options held at 07/02/10
118.5p*	19/12/2003	18/12/2010	10,000	10,000
87.5p*	16/05/2005	15/05/2012	53,000	53,000
88.5p	14/04/2007	13/04/2014	60,000	60,000
102.0p	31/05/2008	31/05/2015	189,000	189,000
163.5p	23/05/2010	22/05/2017	30,000	30,000
			342,000	342,000

The emoluments of the Executive and the Non-executive Directors are set out in the Directors' Remuneration Report.

The market price of the shares at 7 February 2010 was 92.5 pence and the range in the year was 87.5 pence to 123 pence.

The Company recognised total expenses of £6,253 related to equity-settled share based payment transactions in the year ended 7 February 2010 (2009: £11,946).

* FRS 20 does not apply to these options as they were issued prior to 7 November 2002.

26 Acquisitions

On 1 June 2009 the Company acquired the trade and certain assets of the Norfolk Royale Hotel. The total consideration paid (including expenses) was £8,685,134 which was paid wholly in cash.

The fair value of fixed assets acquired was £8,685,134.

The turnover and gross profit of the Norfolk Royale Hotel from the date of acquisition to the year end is as shown on page 16. No administrative expenses are directly attributable to this acquisition.

HOTEL DIRECTORY



PEEL HOTELS PLC

19 WARWICK AVENUE LONDON W9 2PS
TELEPHONE: 020 7266 1100 FAX: 020 7289 5746

Location	Hotel	Rating	Rooms	Telephone	Facsimile
Bournemouth	Norfolk Royale	★★★★	95	01202 551521	01202 299729
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	Cosmopolitan Hotel	★★★★	89	0113 2436454	0113 2434241
Newcastle upon Tyne	Caledonian Hotel	★★★★	91	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 9 Hotels			732		

For reservations at any Peel Hotel call **020 7266 1100**

or log onto our web site on www.peelhotels.co.uk

e-mail – info@peelhotel.com