



## PEEL HOTELS PLC

### INTERIM RESULTS

For the 28 weeks ended 24 August 2008

# Profit before tax down 42% to £437,832 (2007:£755,226)  
(The Avon Gorge Hotel was sold on 30 August 2007)

# Profit after tax down 7.9% to £521,430 (2007:£566,420)

# Gearing on shareholders' funds 11.2% with interest covered 4.9 times

# Earnings per share

Basic	3.8p	(2007: 4.4p)
Diluted	3.7p	(2007: 4.1p)

# Interim dividend maintained at 2.0p per share (2007: 2.0p). The Board expect the total annual dividends in respect of the current financial year will be no less than the 5.5p paid last year.

Chairman Robert Peel said: "The impact of the huge increase in the cost of energy affects almost everything to do with everyday business life and therefore our domestic market is being challenged and one would expect this to continue for a year or so. In spite of disappointing interim results our revpar is similar to the comparative period and if we can grow this in the full year we will be better able to absorb increased costs. Our overall debt level is low and we are in a good position to take advantage of any beneficial acquisition opportunities should they arise in the future"

9 October 2008

Press Enquiries: 0207 266 1100

Nominated adviser and broker            020 7418 8900  
KBC Peel Hunt Ltd.  
David Davies  
Nicholas Marren

## CHAIRMAN'S STATEMENT

### RESULTS

In the twenty eight weeks to 24 August 2008 turnover decreased 22.2% to £6,819,298 (2007: £8,763,974 of which £1,758,076 was in respect of the Avon Gorge Hotel which was sold on 30 August 2007) and operating profit decreased 60.2% to £549,180 (2007: £1,378,888 of which £518,274 was in respect of the Avon Gorge Hotel). Profit before tax decreased 42.0% to £437,832 (2007: £755,226).

The decrease in like for like sales from our Hotels in the period was 2.6% with overall costs increasing by 2.7%. However hotel operating profit decreased 26% on a like for like basis clearly illustrating the high operational gearing of a Hotel business. Accommodation revenue per available room (revpar) decreased marginally with occupancy down 4.3% and average room rate up by 4.1%. Return on sales decreased from 18.7% to 14.2%.

The results have been impacted by combined losses at the Strathdon in Nottingham and the King Malcolm in Dunfermline of £165,826 (2007: £41,076). Energy costs increased to £300,410 from £197,586 and our food and liquor margins have been under pressure through abnormal increases caused either through the high cost of energy or currency fluctuation. It is not generally possible in the current market place to pass these increases on to our guests and under the circumstances we have done well to contain the overall cost base to an increase of 2.8%. However it is disappointing to report these results particularly as we have paid £512,314 lower financial costs in the period.

Group overheads decreased by 11.3% amounting to a saving of £53,678 on the previous year and depreciation and amortisation increased 7.3% amounting to £562,471.

Tax has been provided at 28% less the discount on the deferred tax liabilities, giving an effective rate of 25%, less an adjustment for prior year capital gains tax. Basic earnings per share were 3.8p compared with 4.4p in the comparative period on a weighted average of 13,852,041 shares in issue (2007: 12,863,271). 114,000 employee share options were exercised in the period.

### FINANCE

On 24 August 2008 net debt stood at £2,568,935 representing loans totalling £3,980,765 and an overdraft of £242,904 less £1,654,734 cash on deposit at Bank. Gearing on shareholders' funds was 11.2% with interest covered 4.9 times. Net debt increased £2,528,518 compared with the previous year end, due to the fact of the sale of the Avon Gorge Hotel in Bristol and property at Salem Street in Bradford that the Company paid out a special dividend of 25p amounting to £2,102,000 in addition to the final dividend of 3.5p amounting to £490,000. In line with the Board's declared strategy, an interim dividend of 2p amounting to £282,522 will be paid on 24 November 2008 and we expect that the total annual dividends in respect of the current financial year will not be less than the 5.5p paid last year. The record date will be 21 November 2008 and the ex-dividend date will be 19 November 2008.

### CAPITAL EXPENDITURE

£700,340 was spent in the period in further improving the Company's assets. We have upgraded 22 bedrooms at the Bull Hotel in Peterborough and rebuilt six bedrooms as part of an ongoing programme to produce 18 more luxury air conditioned bedrooms. The Tavern bar at the George Hotel in Wallingford has been expanded and refurbished together with Reception. Work is underway to upgrade 26 bedrooms at the Midland Hotel in Bradford and we continue the process of renovation to the external elevations of this building.

The Board has decided to accelerate capital expenditure in the current financial year given the comparatively low gearing of the Company, the need to capture more business in a competitive market and the fact that many competitors are highly geared and therefore unable to invest in improving their product. Given the current uncertainty and possible volatility in relation to asset values we believe that reinvestment in our freehold properties and moving them further upmarket will stand us in good stead going forward.

## SHAREHOLDERS

We are always delighted when Shareholders visit our Hotels and see for themselves the continual improvements we are making to our portfolio of eight Hotels. 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 website [www.peelhotels.co.uk](http://www.peelhotels.co.uk)

## THE FUTURE

It is difficult to predict the ongoing impact of the huge increase in the cost of energy as it affects almost everything to do with everyday business life. Undoubtedly our domestic market is currently being challenged and one would expect this to continue for the next year or so. We believe we are well able to overcome the difficulties and with a comparatively low overall debt level feel that we are in a very good position to take advantage of any beneficial acquisition opportunities should they arise in the future. In spite of a disappointing interim result our revpar is similar to the comparative period and if we can grow this for the full year we will be better able to absorb increased costs.

Copies of the interim results are today available on the Company's website at [www.peelhotels.co.uk](http://www.peelhotels.co.uk)

## **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**

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

### **Registered Office**

4<sup>th</sup> 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  
4<sup>th</sup> Floor, 111 Old Broad Street, London EC2N 1PH

## PROFIT AND LOSS ACCOUNT

For the period ended 24 August 2008

	Note	28 weeks ended 24/8/2008 Unaudited £	28 weeks ended 26/8/2007 Unaudited £	Year ended 10/2/2008 Audited £
<b>Turnover</b>		<b>6,819,298</b>	8,763,974	15,150,339
<b>Cost of sales</b>		<b>(5,285,976)</b>	(6,307,610)	(11,010,153)
<b>Gross profit</b>		<b>1,533,322</b>	2,456,364	4,140,186
<b>Administrative expenses</b>				
Depreciation		(562,471)	(621,516)	(1,092,642)
Other		(421,671)	(455,960)	(855,003)
		<b>(984,142)</b>	(1,077,476)	(1,947,645)
<b>Operating profit</b>		<b>549,180</b>	1,378,888	2,192,541
Profit on disposal of property		-	-	8,142,521
Interest payable & similar charges		<b>(111,348)</b>	(623,662)	(745,529)
<b>Profit on ordinary activities before taxation</b>		<b>437,832</b>	755,226	9,589,533
Taxation	2	<b>83,598</b>	(188,806)	(1,215,554)
<b>Profit on ordinary activities after taxation</b>		<b>521,430</b>	566,420	8,373,979
<b>Earnings per share</b>				
Basic	3	<b>3.8p</b>	4.4p	63.4p
Diluted		<b>3.7p</b>	4.1p	62.8p

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 24 AUGUST 2008

Note	24/8/2008 Unaudited £	26/8/2007 Unaudited £	10/2/2008 Audited £
<b>Fixed assets</b>			
Tangible assets	28,862,530	34,858,166	28,724,660
<b>Current assets</b>			
Stocks	84,028	123,773	86,786
Debtors	1,124,381	1,295,384	1,342,973
Cash at bank and in hand	1,654,734	513,702	4,108,123
	<b>2,863,143</b>	<b>1,932,859</b>	<b>5,537,882</b>
<b>Creditors (due within one year)</b>	<b>(4,677,903)</b>	<b>(4,292,896)</b>	<b>(4,784,341)</b>
Net current liabilities	<b>(1,814,760)</b>	<b>(2,360,037)</b>	<b>753,541</b>
Total assets less current liabilities	<b>27,047,770</b>	<b>32,498,129</b>	<b>29,478,201</b>
<b>Creditors (due after one year)</b>	<b>(3,488,495)</b>	<b>(14,315,369)</b>	<b>(3,970,783)</b>
<b>Provisions for liabilities</b>	<b>(707,000)</b>	<b>(1,664,102)</b>	<b>(707,000)</b>
<b>Total assets</b>	<b>22,852,275</b>	<b>16,518,658</b>	<b>24,800,418</b>
<b>Capital and reserves</b>			
Called up share capital	1,412,613	1,291,213	1,401,213
Share premium account	9,845,705	9,111,995	9,743,495
Profit and loss account	11,593,957	6,115,450	13,655,710
<b>Equity shareholders' funds</b>	<b>22,852,275</b>	<b>16,518,658</b>	<b>24,800,418</b>

## CASH FLOW STATEMENT

For the period ended 24 August 2008

	Note	£	28 weeks ended 24/8/2008 Unaudited £	£	28 weeks ended 26/8/2007 Unaudited £	£	Year ended 10/2/2008 Audited £
<b>Net cash inflow from operating activities</b>	5		<b>711,207</b>		1,785,736		3,272,305
<b>Returns on investments and servicing of finance</b>							
Interest paid		<u>(50,833)</u>		<u>(562,186)</u>		<u>(1,000,074)</u>	
<b>Net cash outflow from returns on investments and servicing of finance</b>			<b>(50,833)</b>		(562,186)		(1,000,074)
<b>Taxation</b>							
UK corporation tax received/(paid)		<u>64</u>		<u>-</u>		<u>(30,656)</u>	
<b>Tax paid</b>			<b>64</b>		-		(30,656)
<b>Capital expenditure</b>							
Purchase of tangible fixed assets		<u>(700,341)</u>		<u>(731,838)</u>		<u>(3,978,456)</u>	
Sale of tangible fixed assets		<u>-</u>		<u>-</u>		<u>17,148,617</u>	
<b>Net cash outflow from capital expenditure</b>			<b>(700,341)</b>		(731,838)		13,170,161
<b>Equity dividends paid</b>			<b>(2,592,243)</b>		(642,856)		(921,099)
<b>Net cash outflow before financing</b>			<b>(2,632,146)</b>		(151,144)		14,490,637
<b>Financing</b>							
Issue of ordinary share capital		<u>113,610</u>		<u>48,545</u>		<u>790,045</u>	
Loan repayments		<u>-</u>		<u>-</u>		<u>(11,122,945)</u>	
<b>Net cash inflow/(outflow) from financing</b>			<b>113,610</b>		48,545		(10,332,900)
<b>(Decrease)/increase in cash</b>	6		<b>(2,518,536)</b>		(102,599)		4,157,737
<b>Reconciliation of net debt</b>							
(Decrease)/increase in cash in the period			<b>(2,518,536)</b>		(102,599)		4,157,737
Cash outflow from reduction in net debt			<u>-</u>		<u>-</u>		<u>11,122,945</u>
Change in net debt resulting from cashflows			<b>(2,518,536)</b>		(102,599)		15,280,682
Non cash changes			<u>(9,982)</u>		<u>(15,827)</u>		<u>(51,916)</u>
(Decrease)/increase in net debt in the period			<b>(2,528,518)</b>		(118,426)		15,228,766
Net debt at beginning of period			<b>(40,417)</b>		(15,269,183)		(15,269,183)
<b>Net debt at end of period</b>	6		<b>(2,568,935)</b>		(15,387,609)		(40,417)

## NOTES TO THE INTERIM RESULTS

For the period ended 24 August 2008

### 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 10 February 2008 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 less an adjustment for prior year capital gains tax. 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.

	<b>28 weeks ended 24/8/2008 Unaudited</b>	28 weeks ended 26/8/2007 Unaudited	Year ended 10/2/2008 Audited
Average No. shares - Basic	<b>13,852,041</b>	12,863,271	13,214,179
- Diluted	<b>13,928,922</b>	13,667,016	13,344,490

### 4. Reconciliation of movements in shareholders' funds

	<b>28 weeks ended 24/8/2008 Unaudited</b>	28 weeks ended 26/8/2007 Unaudited	Year ended 10/2/2008 Audited
Profit for the period	<b>521,430</b>	566,420	8,373,979
Dividends paid relating to previous year	<b>(2,592,243)</b>	(642,856)	(921,099)
Issue of shares less expenses	<b>113,610</b>	48,545	790,045
Recognition of equity-settled share based payments	<b>9,060</b>	12,281	23,225
Net (decrease)/ increase in shareholders' funds	<b>(1,948,143)</b>	(15,610)	8,266,150
Shareholders' funds at 11/02/08	<b>24,800,418</b>	16,534,268	16,534,268
Shareholders' funds at 24/08/08	<b>22,852,275</b>	16,518,658	24,800,418

### 5. Reconciliation of operating profit to net cash inflow from operating activities

	<b>28 weeks ended 24/8/2008 Unaudited £</b>	28 weeks ended 26/8/2007 Unaudited £	Year ended 10/2/2008 Audited £
Operating profit	<b>549,180</b>	1,378,888	2,192,541
Depreciation	<b>562,471</b>	621,516	1,092,642
Recognition of equity-settled share based payments	<b>9,060</b>	12,281	23,225
Increase/(decrease) in stocks	<b>2,758</b>	(7,192)	29,795
Increase/(decrease) in debtors	<b>181,280</b>	(242,525)	(257,867)
(Decrease)/increase in creditors	<b>(593,542)</b>	22,768	191,969
Net cash inflow from operating activities	<b>711,207</b>	1,785,736	3,272,305

## NOTES TO THE INTERIM ACCOUNTS

For the period ended 24 August 2008

### 6. Analysis of net debt

	At beginning of period 11/2/2008 £	Cash flow £	Non cash changes	At end of period 24/8/2008 £
Cash at bank and in hand	4,108,123	(2,453,389)	-	<b>1,654,734</b>
Bank overdraft	(177,757)	(65,147)	-	<b>(242,904)</b>
	<b>3,930,366</b>	<b>(2,518,536)</b>	-	<b>1,411,830</b>
Debt due within one year	-	(492,270)	-	<b>(492,270)</b>
Debt due after one year	(3,970,783)	492,270	(9,982)	<b>(3,488,495)</b>
Total	<b>(40,417)</b>	<b>(2,518,536)</b>	<b>(9,982)</b>	<b>(2,568,935)</b>

### 7. Financing

The original bank loan is repayable by 8 semi-annual instalments plus a final payment on 11 April 2014. Interest is charged at 1.0% 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 1.0%. The minimum interest cost is 4.99% plus margin of 1.0%, 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 repaid the £7 million loan on 7 October 2007 but the collar agreement remains in place.

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 6.83% (after inclusion of the 1.0% margin).

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.

## **Independent review report to Peel Hotels PLC**

### **Introduction**

We have been engaged by the Company to review the financial information in the interim financial report for the 28 weeks ended 24 August 2008 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 financial report which comprises only the Chairman's Statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the Company 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, for our review work, for this report, or for the conclusion we have formed.

### **Directors' responsibilities**

The interim financial report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the financial information in the interim financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the interim financial report for the 28 weeks ended 24 August 2008 is not prepared, in all material respects, in accordance with the basis of accounting described in note 1.

GRANT THORNTON UK LLP  
AUDITOR  
Leeds  
9 October 2008

## HOTEL DIRECTORY

### **PEEL HOTELS PLC**

19 Warwick Avenue London W9 2PS  
Telephone: 020 7266 1100 FAX: 020 7289 5746

<b><u>Location</u></b>	<b><u>Hotel</u></b>	<b><u>Rating</u></b>	<b><u>Rooms</u></b>	<b><u>Telephone</u></b>	<b><u>Facsimile</u></b>
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 243 6454	0113 242 9327
Newcastle Upon Tyne	Caledonian Hotel	*****	91	0191 281 7881	0191 281 6241
Nottingham	Strathdon Hotel	*****	68	0115 941 8501	0115 948 3725
Peterborough	Bull Hotel	*****	118	01733 561364	01733 557304
Wallingford	George Hotel	*****	39	01491 836665	01491 825359

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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)