PEEL HOTELS PLC

INTERIM RESULTS

For 28 weeks ended 22 August 2010

- Turnover up 15.1% to £8,275,804 (2009: £7,192,103)
- Profit before interest up 31.8% to £637,215 (2009: £483,355)
- Profit before tax up 33.4% to £102,379 (2009: £76,720)
- Net debt decreased £611,339 to £14,183,231
- Earnings per share (Adjusted for exceptional tax credit)

Basic	0.5p	(2009: 0.4p)
Diluted	0.5p	(2009: 0.4p)

Chairman Robert Peel said: A like for like increase of 6% on revpar in the period is certainly a positive sign of regaining an acceptable level of profitability within the Company. However an ever tightening cost base together with innovative marketing techniques are required to counter-balance what is an essentially oversupplied provincial market place within a cost cutting commercial and Government environment. The Directors hope there will be grounds to consider recommending a modest dividend in respect of the current financial year if occupancy continues to grow.

13 October 2010

Press Enquiries: 0207 266 1100
Nominated advisor and broker 0207 418 8900
KBC Peel Hunt
Capel Irwin

CHAIRMAN'S STATEMENT

Results

In the 28 weeks to 22 August 2010 turnover increased 15.1% to £8,275,804. Operating profit increased 31.8% to £637,215. EBITDA (Earnings before interest, tax and depreciation) increased 22.6% to £1,329,081.

Like for like sales in the period increased 4.4% and on the same basis revpar (accommodation revenue per available room) increased 6% with occupancy up 11.4% and average room rate down 4.8%.

The improvement in revpar arose through improved occupancy principally through the £99 'gold ingot' marketing campaign in February, an improvement in incoming Tourism, and more UK holidaymakers choosing not to go abroad. Occupancy improved in all our Hotels apart from the Strathdon in Nottingham and the Midland in Bradford.

Group overheads decreased £20,860 amounting to a saving of 5.4% on the previous year and depreciation and amortisation increased 15.3% to £691,866 reflecting the addition of the Norfolk Royale Hotel acquired on 1 June 2009.

Profit before tax increased 33.4% to £102,379.

Tax has been provided at a rate of 28% less the discount on deferred tax liabilities giving an effective rate of 25%. Last year there was a substantial credit to the tax provision amounting to £1,089,174. This had arisen from claiming roll over relief on the acquisition of the Norfolk Royale Hotel against a part of the charge to tax on capital gains suffered on the disposal of the Avon Gorge Hotel. Basic earnings per share were 0.5p compared with 8.2p in the comparative period on a weighted average of 14,012,123 (2009: 14,012,123) shares in issue. Earnings per share in the comparative period adjusted for the exceptional tax credit would have been 0.4p.

Finance

On 22 August 2010 net debt stood at £14,183,231 representing loans totalling £13,288,772 and an overdraft of £1,003,885 less £109,426 cash at bank. Gearing on Shareholders' funds was 59.8% with interest covered 1.2 times.

Net debt decreased £611,339 in the period on the year end position primarily through a reduction in the level of capital expenditure. Shareholders will be aware that the Company has a fixed interest swap at 5.83% plus margin of 1.95% on a declining balance, currently £9,542,700, until the swap ceases on 11 April 2014. Following a review by its bankers in regard to the Company's debt profile, with effect from 12 October 2010 they have increased the margin to 2.5% on £9,500,000 whilst increasing the margin on the balance from 1.95% to 4% over six monthly LIBOR. Margin on the Company's overdraft remains the same at 2.5% over Base Rate.

The review has cost the Company £72,547 in fees, charges and expenses which will be amortised over the term of the loan and will cost a further £47,520 over the same period. Whilst we are not happy in regard to these additional charges and increased margins, we understand that these new Banking rates are competitive in the overall provincial hotel market place. It is of course unfortunate that the increased margin in the case of our swap translates into a high overall cost of borrowing. We continue to monitor the cost of buying out the swap and currently it would make little economic sense. It is perhaps worth pointing out, however, that, without the burden of the swap, the Company's interim pre-tax profits would have been approximately three times as great, giving an indication of the potential improvement once the swap expires in three and a half year's time.

In the light of the new cost of borrowing it makes sense to review our non hotel assets with a view to disposal and we are currently marketing for sale two properties, one in Newcastle and one in Wallingford.

Capital Expenditure

We have slowed down capital expenditure as indicated in the latest Annual Report in order to conserve cash in what still is an uncertain market place. However the Company still spent £326,299 in the period, a third of which was spent on improving bedrooms at the Norfolk Royale Hotel and the balance was spread over the other eight Hotels. Our objective very much remains to upgrade our existing freehold properties to AA four star standards over time.

In addition to such capital expenditure a further £303,859 (2009:£238,253) was expensed through the profit and loss account in the period on repairs and renewals which demonstrates our commitment to maintaining and improving the quality of our estate.

Shareholders

We are always delighted to welcome Shareholders to our hotels where they can see for themselves the improvements that we have made, whilst enjoying a beneficial discount. All Shareholders are entitled to a 30% discount, 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.

This year we have expanded last year's Christmas Gift Offer which was a huge success. Essentially it gives the recipient and their partner two nights stay on any dates in 2011, provided they are bought before 31 December 2010, inclusive of dinner each night and English breakfast each morning in any one of our nine hotels. The prepaid cost of this gift varies from £99 to £179 dependant upon the month chosen (the price will not be mentioned on the Voucher). To buy gift wrapped vouchers contact us on 0207 266 1100.

The Future

A like for like increase of 6% on revpar is certainly a positive sign in terms of regaining an acceptable level of profitability within the Company. However we must remain vigilant in terms of our cost base and recognise the need for innovative marketing techniques to counter-balance the effect of what is an essentially oversupplied provincial hotel market place within a cost cutting commercial and Governmental environment.

The significant capital expenditure that we have spent is definitely helping to increase occupancy and if this trend continues, the Directors will have grounds to consider recommending a modest dividend in respect of the current financial year.

Robert Peel

Chairman

October 2010

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

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

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

PROFIT AND LOSS ACCOUNT

For the period ended 22 August 2010

	Note	**£**	**28 weeks ended 22/8/2010 Unaudited £**	£	28 weeks ended 23/8/2009 Unaudited £	£	Year ended 7/2/2010 Audited £
Turnover			**8,275,804**		7,192,103		14,186,042
Cost of sales			**(6,578,963)**		(5,719,864)		(11,546,545)
Gross profit			**1,696,841**		1,472,239		2,639,497
Administrative expenses							
Depreciation		**(691,866)**		(600,264)		(1,214,100)	
Other		**(367,760)**		(388,620)		(634,417)	
			(1,059,626)		(988,884)		(1,848,517)
Operating profit							
Total operating profit			**637,215**		483,355		790,980
Net interest			**(534,836)**		(406,635)		(865,086)
Profit (loss) on ordinary activities before taxation			**102,379**		76,720		(74,106)
Taxation	2		**(25,595)**		1,069,994		1,214,635
Profit on ordinary activities after taxation			**76,784**		1,146,714		1,140,529
Earnings per share	3						
Basic			**0.5p**		8.2p		8.1p
Diluted			**0.5p**		8.2p		8.1p

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 22 AUGUST 2010

	Note	**22/8/2010 Unaudited £**	23/8/2009 Unaudited £	7/2/2010 Audited £
Fixed assets				
Tangible assets		**39,148,225**	39,947,522	39,513,792
Current assets				
Stocks		**108,850**	125,089	112,840
Debtors		**1,522,114**	1,551,152	1,227,562
Cash at bank and in hand		**109,426**	-	104,912
		1,740,390	1,676,241	1,445,314
Creditors (due within one year)		**(5,280,920)**	(5,622,698)	(5,203,856)
Net current liabilities		**(3,540,530)**	(3,946,457)	(3,758,542)
Total assets less current liabilities		**35,607,695**	36,001,065	35,755,250
Creditors (due after one year)		**(11,331,511)**	(11,773,134)	(11,557,618)
Provisions for liabilities		**(561,000)**	(588,000)	(561,000)
Net assets		**23,715,184**	23,639,931	23,636,632
Capital and reserves				
Called up share capital		**1,401,213**	1,401,213	1,401,213
Share premium account		**9,743,495**	9,743,495	9,743,495
Profit and loss account		**12,570,476**	12,495,223	12,491,924
Equity shareholders' funds	4	**23,715,184**	23,639,931	23,636,632

CASH FLOW STATEMENT

For the period ended 22 August 2010

	Note	£	**28 weeks ended 22/8/2010 Unaudited** £	£	28 weeks ended 23/8/2009 Unaudited £	£	Year ended 7/2/2010 Audited £
Net cash inflow from operating activities	5		**1,389,020**		1,765,173		2,345,561
Returns on investments and servicing of finance							
Interest paid		**(547,677)**		(318,840)		(760,549)	
Net cash outflow from returns on investments and servicing of finance			**(547,677)**		(318,840)		(760,549)
Taxation							
UK corporation tax received/(paid)		**100,707**		(818,644)		(1,050,566)	
Tax paid/received			**100,707**		(818,644)		(1,050,566)
Capital expenditure							
Purchase of tangible fixed assets		**(326,299)**		(10,855,988)		(11,066,094)	
Net cash outflow from capital expenditure			**(326,299)**		(10,885,988)		(11,066,094)
Equity dividends paid			**-**		(490,424)		(490,424)
Net cash inflow/ (outflow) below financing			**615,751**		(10,748,723)		(11,022,072)
Financing							
Share issue expenses		**-**		-		-	
New Loans		**500,000**		12,831,100		13,331,100	
Loan repayments		**(223,027)**		(4,009,314)		(4,228,616)	
Net cash inflow from financing			**276,973**		8,821,786		9,102,484
Increase/(decrease) in cash	6		**892,724**		(1,926,937)		(1,919,588)
Reconciliation of net debt							
Increase/ (decrease) in cash in the period			**892,724**		(1,926,937)		(1,919,588)
Cash inflow from change in net debt			**(276,973)**		(8,821,786)		(9,102,484)
Change in net debt resulting from cashflows			**615,751**		(10,748,723)		(11,022,072)
Non cash changes			**(4,412)**		95,573		84,418
Decrease/ (increase) in net debt in the period			**611,339**		(10,653,150)		(10,937,654)
Net debt at beginning of period			**(14,794,570)**		(3,856,916)		(3,856,916)
Net debt at end of period	6		**(14,183,231)**		(14,510,066)		(14,794,570)

NOTES TO THE INTERIM RESULTS

For the period ended 22 August 2010

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 7 February 2010 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.

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 22/8/2010 Unaudited	28 weeks ended 23/8/2009 Unaudited	Year ended 7/2/2010 Audited
Average No. shares - Basic	**14,012,123**	14,012,123	14,012,123
- Diluted	**14,012,123**	14,017,483	14,017,518

4. Reconciliation of movements in shareholders' funds

	28 weeks ended 22/8/2010 Unaudited	28 weeks ended 23/8/2009 Unaudited	Year ended 7/2/2010 Audited
Profit for the period	**76,784**	1,146,714	1,140,529
Dividends paid relating to previous year	-	(490,424)	(490,424)
Issue of shares less expenses	**-**	-	-
Recognition of equity-settled share based payments	**1,768**	3,367	6,253
Net increase in shareholders' funds	**78,552**	659,657	656,358
Shareholders' funds at 07/02/10	**23,636,632**	22,980,274	22,980,274
Shareholders' funds at 22/08/10	**23,715,184**	23,639,931	23,636,632

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

	28 weeks ended 22/8/2010 Unaudited £	28 weeks ended 23/8/2009 Unaudited £	Year ended 7/2/2010 Audited £
Operating profit	**637,215**	483,355	790,980
Depreciation	**691,866**	600,264	1,214,100
Recognition of equity-settled share based payments	**1,768**	3,367	6,253
Increase/(Decrease) in stocks	**3,990**	(32,144)	(19,895)
(Decrease)/increase in debtors	**(330,950)**	(328,686)	80,749
Increase in creditors	**385,131**	1,039,017	273,374
Net cash inflow from operating activities	**1,389,020**	1,765,173	2,345,561

NOTES TO THE INTERIM ACCOUNTS
For the period ended 22 August 2010

6. Analysis of net debt

	At beginning of period 07/02/2010 £	Cash flow £	Non cash changes	**At end of period 22/8/2010 £**
Cash at bank and in hand	104,912	4,514	-	**109,426**
Bank overdraft	(1,892,095)	888,210	-	**(1,003,885)**
	(1,787,183)	892,724	-	**(894,459)**
Debt due within one year	(1,449,769)	(507,492)	-	**(1,957,261)**
Debt due after one year	(11,557,618)	230,519	(4,412)	**(11,331,511)**
Total	(14,794,570)	615,751	(4,412)	**(14,183,231)**

7. Financing

On the 1st 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 and 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.

On 11 April 2003 the Company entered into a GBP Roller Coaster callable interest rate swap agreement which ends on 11 April 2014. Under the terms of this agreement the Company fixes its interest payments at 5.83% plus margin on a reducing total (£9,542,430 at 22 August 2010). This amount decreases by £492,270 every six months until 11 April 2014.

Following a review by The Royal Bank of Scotland in regard to the Company's debt profile, with effect from 12 October 2010 they have increased the margin on the first £9,500,000 of the Company's loan to 2.5% above six monthly LIBOR. The bank has increased the margin on the balance of the loan (£2,388,697 at 22 August 2010) to 4.0% above six monthly LIBOR.

The loan and overdraft are secured by a debenture dated 6 March 1998 over all 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 22 August 2010 which comprises the profit and loss account, the balance sheet, the cash flow statement, 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 22 August 2010 is not prepared, in all material respects, in accordance with the basis of accounting described in note 1.

GRANT THORNTON UK LLP
AUDITOR
Leeds

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 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
			732		

For reservations at any Peel Hotel call 020 7266 1100
Or dial into our web site on www.peelhotels.co.uk
e-mail – info@peelhotel.com