

CHAIRMAN'S STATEMENT

Results

In the 28 weeks to 21 August 2011 turnover was £7,846,471, a decrease of 5.2% on the corresponding period of the previous year. Over the same period operating profit decreased 3.5% to £615,240 and EBITDA (earnings before interest, tax and depreciation) decreased 5.9% to £1,250,273.

Revpar (accommodation revenue per available room) decreased 1.8% with occupancy down 0.7% and average room rate down 1.2%. In simple terms we have been unable to recoup the additional 2.5% VAT from our customers as we continue to operate in an extremely challenging economic and competitive environment.

Group overheads decreased £20,114 amounting to a saving of 5.5% on the previous year whilst depreciation and amortisation decreased 8.2% to £635,033.

The sale of 21/23 The High Street, the staff house for the George Hotel in Wallingford for a consideration of £470,000 gave rise to a profit of £232,068 and the proceeds from this disposal were used to make additional repayments of part of the Company's bank loan over and above the regular semi annual repayment instalments.

We have finally settled the five yearly rent review at the Crown and Mitre Hotel in Carlisle covering 1 June 2008 to 1 June 2013 at a reasonable ongoing annual rent of £112,000 per annum (previously £86,000 per annum). However the Arbitrator adjudicated that each party should pay their own costs, which in our case totalled £202,724, of which £77,811 has already been written off our profits and the remaining £124,913 is to be written off over the period to 1 June 2013. We were disappointed with the costs adjudication in that we feel we were forced to incur substantial costs in terms of professional fees in order to protect our opinion of the fair rent compared with that proposed by the landlord.

Profit before tax was £32,998 including a negative fair value movement on the swap of £58,702 (28 weeks ended 22 August 2010: loss before tax of £7,104).

Corporation Tax has been provided at an effective rate of 25%. Basic earnings per share were 0.4p compared with 0.2p in the comparative period on a weighted average of 14,012,123 (2010: 14,012,123) shares in issue.

Finance

On 21 August 2011 net debt stood at £12,717,336 representing loans totalling £11,927,919 and an overdraft of £860,397 less £70,980 cash at bank. Gearing on Shareholders' funds was 57.5% with interest covered 1.2 times. Net debt decreased by £726,386 compared with the previous year end.

The cost of buying out the swap on 21 August 2011 was £990,950 and the Board's view is still that it would make little economic sense.

Following their review last year the Bank reduced our overdraft facility from £2,000,000 to £1,500,000 at the end of the last financial year with a further reduction in the facility to £1,000,000 from the 31 August 2011. Whilst we were thus given ample time to plan for these reductions, the reduced facility does not give us the room at this stage to consider the payment of an interim dividend.

The positive news is that in the last financial year we reduced our overall borrowings by £1,350,847 and in the current year thus far by a further £726,386 through a combination of positive cash flow and the sale of assets no longer required.

CHAIRMAN'S STATEMENT

Capital Expenditure

We are careful to conserve cash but not to the detriment of maintaining and improving all of our properties. The Company spent £302,667 in the period across the portfolio. We completely refurbished the swimming pool and leisure facilities at the Crown and Mitre Hotel in Carlisle and continued to improve the bedrooms at the Midland, Bull and Norfolk Royale.

In addition to such capital expenditure a further £305,283 (2010: £345,970) was expensed through the profit and loss account in the period on repairs and renewals which further demonstrates our commitment to maintaining and improving the quality of our estate.

We continue to make progress in our objective of moving all our freehold properties to AA four-star status over time.

Shareholders

Shareholders have had to contend with a great deal of late, with no dividend payment and an enormously depressed share price, notwithstanding a relatively low turnover of shares.

We are always delighted to welcome Shareholders to our Hotels where they can see for themselves the progress we have made, whilst enjoying a beneficial discount. We have increased the discount for Shareholders to 50% of our rack rate 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 activities by visiting our website www.peelhotels.co.uk.

We are now selling the Christmas present 'at the top of everyone's list' giving the recipient and their partner two nights' stay on any dates in 2012, provided they are bought before 31 December 2011, 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 £189 dependent 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

In spite of provincial retail and commercial expenditure constraints we are managing to contain the decline in Revpar and thereby generate cash in order to pay down our loan and reinvest in our product. On a positive note net interest costs are now decreasing in the light of the declining debt profile.

The Company is becoming increasingly involved in a number of special promotions in making its Hotels available and easily booked on third party websites. It sees this as a way of compensating for the drops in volume from established methods of making reservations. Our key objective is a return to growth in Revpar by the end of the Financial Year.

We are prepared for a continuing tough trading environment in the short term and look to contain our costs but we expect the additional activity caused by the Olympics next year will help us grow our sales and improve our profitability.

Robert Peel

Chairman

12 October 2011

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

Thrings LLP
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Registered Office

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Company registration number 3473990

Auditor

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Bankers

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280 Bishopsgate, London EC2M 4RB

Registrars

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Solicitors

Thrings LLP
Kinnaird House, 1 Pall Mall East, London SW1Y 5AU

Stockbroker

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 21 August 2011

	Note	28 weeks ended 21/08/2011 Unaudited £	28 weeks ended 22/08/2010 Unaudited £	Year ended 06/02/2011 Audited £
Revenue		7,846,471	8,275,804	15,263,682
Cost of sales		(6,480,620)	(6,578,963)	(12,271,069)
Gross profit		1,365,851	1,696,841	2,992,613
Administration expenses		(347,646)	(367,760)	(657,721)
Depreciation		(635,033)	(691,866)	(1,239,991)
Profit on disposal of property		232,068	–	203,775
Operating profit		615,240	637,215	1,298,676
Finance expense		(523,540)	(534,836)	(1,033,202)
Fair value movement on derivative		(58,702)	(109,483)	289,855
Profit/(loss) before tax		32,998	(7,104)	555,329
Income tax	2	26,259	34,986	(55,351)
Profit and total comprehensive income for the period attributable to owners		59,257	27,882	499,978
Earnings per share				
Basic & diluted (pence)	3	0.4	0.2	3.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 21 August 2011

6 months ended 22 August 2010

Unaudited

	Share Capital £	Share premium account £	Profit and loss account £	Total £
Balance brought forward at 8 February 2010	1,401,213	9,743,495	10,401,199	21,545,907
Employee share options	–	–	1,769	1,769
Transactions with owners	–	–	1,769	1,769
Profit and total comprehensive income for the period	–	–	27,882	27,882
Balance at 22 August 2010	1,401,213	9,743,495	10,430,850	21,575,558

12 months ended 6 February 2011

Audited

	Share Capital £	Share premium account £	Profit and loss account £	Total £
Balance brought forward at 8 February 2010	1,401,213	9,743,495	10,401,199	21,545,907
Employee share options	–	–	1,769	1,769
Transactions with owners	–	–	1,769	1,769
Profit and total comprehensive income for the period	–	–	499,978	499,978
Balance at 6 February 2011	1,401,213	9,743,495	10,902,946	22,047,654

6 months ended 21 August 2011

Unaudited

	Share Capital £	Share premium account £	Profit and loss account £	Total £
Balance brought forward at 7 February 2011	1,401,213	9,743,495	10,902,946	22,047,654
Profit and total comprehensive income for the period	–	–	59,257	59,257
Balance at 21 August 2011	1,401,213	9,743,495	10,962,203	22,106,911

CONSOLIDATED BALANCE SHEET

at 21 August 2011

	21/08/2011 Unaudited £	22/08/2010 Unaudited £	06/02/2011 Audited £
Assets			
Non-current assets			
Property, plant and equipment	38,026,537	39,148,225	38,583,903
Deferred tax asset	257,647	359,528	251,707
Total non-current assets	38,284,184	39,507,753	38,835,610
Current assets			
Inventories	103,533	108,850	106,788
Trade and other receivables	562,314	633,975	449,692
Prepayments	987,862	888,139	795,069
Cash at bank and in hand	70,980	109,426	111,186
Total current assets	1,724,689	1,740,390	1,462,735
Total assets	40,008,873	41,248,143	40,298,345
Equity and liabilities			
Equity attributable to owners			
Share capital	1,401,213	1,401,213	1,401,213
Share premium	9,743,495	9,743,495	9,743,495
Retained earnings	10,962,203	10,430,850	10,902,946
Total equity	22,106,911	21,575,558	22,047,654
Liabilities			
Non-current			
Borrowings (due after one year)	9,981,865	11,342,718	10,663,422
Deferred tax liabilities	1,575,325	1,728,568	1,618,568
Non-current liabilities	11,557,190	13,071,286	12,281,990
Current			
Trade and other payables	2,403,011	2,290,855	2,023,531
Borrowings (due within one year)	2,806,451	2,949,940	2,891,486
Current tax liabilities	144,360	28,918	121,436
Derivative financial instruments	990,950	1,331,586	932,248
Current liabilities	6,344,772	6,601,299	5,968,701
Total liabilities and equity	40,008,873	41,248,143	40,298,345

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

Approved by the Board 12 October 2011
 Robert Peel, Director
 Norbert Petersen, Director

CONSOLIDATED CASH FLOW STATEMENT

for the Period ended 21 August 2011

	21/08/2011 Unaudited £	22/08/2010 Unaudited £	06/02/2011 Audited £
Cash flows from operating activities			
Profit for the period	59,257	27,882	499,978
Adjustments for:			
Equity settled share-based payment expenses	–	1,769	1,769
Financial expense	523,540	534,836	1,033,202
Fair value movement on derivative	58,702	109,483	(289,855)
Income tax income	(26,259)	(34,986)	55,351
Profit on sale of property	(232,068)	–	(203,775)
Depreciation	635,033	691,866	1,239,991
Operating profit before changes in working capital and provisions	1,018,205	1,330,850	2,336,661
UK corporation tax received	–	100,706	100,706
(Increase) in trade and other receivables	(317,164)	(330,950)	(68,504)
Increase in trade and other payables	389,093	385,131	109,360
Decrease in inventories	3,255	3,990	6,052
Net cash from operating activities	1,093,389	1,489,727	2,484,275
Cash flows from investing activities			
Interest paid	(522,866)	(547,677)	(1,063,907)
Acquisition of property, plant and equipment	(302,667)	(326,299)	(515,102)
Sale of property, plant and equipment	462,927	–	408,776
Net cash from investing activities	(362,606)	(873,976)	(1,170,233)
Cash flows from financing activities			
New loans	–	500,000	500,000
Loan repayments	(685,954)	(223,027)	(861,105)
Net cash from financing activities	(685,954)	276,973	(361,105)
Net increase in cash and cash equivalents	44,829	892,724	952,937
Cash and cash equivalents at the beginning of the period	(834,246)	(1,787,183)	(1,787,183)
Cash and cash equivalents at the end of the period	(789,417)	(894,459)	(834,246)
For the purposes of the cash flow statement, cash and cash equivalents comprise:			
Cash and bank balances	70,980	109,426	111,186
Bank overdraft	(860,397)	(1,003,885)	(945,432)

NOTES TO THE INTERIM RESULTS

for the period ended 21 August 2011

1. Basis of accounting

The interim financial information has been prepared on the basis of the recognition and measurement requirements of adopted IFRSs as at 21 August 2011 that are effective (or available for early adoption) at 5 February 2012. Based on these adopted IFRSs, the Directors have applied the accounting policies, which they expect to apply when the annual IFRS financial statements are prepared for the year ending 5 February 2012.

The group has chosen not to adopt IAS 34 (Interim Financial Statements) in preparing these interim financial statements and therefore the interim financial information is not in full compliance with International Financial Reporting Standards.

The financial information set out in this interim report does not constitute statutory accounts as defined in sections 434 and 435 of the Companies Act 2006. The figures for the year ended 6 February 2011 have been extracted from the statutory financial statements which have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498(2) and 498(3) of the Companies Act 2006.

The group's accounting policies remain as stated in the group's full annual accounts for the year ended 6 February 2011.

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 21/8/2011 Unaudited	28 weeks ended 22/8/2010 Unaudited	Year ended 6/2/2011 Audited
Average No. shares - Basic	14,012,123	14,012,123	14,012,123
- Diluted	14,012,123	14,017,483	14,017,518