



30 April 2008

For Immediate Release

**The Hotel Corporation plc  
Preliminary Results for the year ended 31 December 2007**

The Hotel Corporation plc, the AIM listed investment company owning 49.9% of Dawnay Shore Hotels plc (“DSH”), announces its preliminary results for 2007. These results also include the final results for DSH for 2007.

**Highlights**

***The Hotel Corporation***

- Profit before movement in unrealised investments of £2.5m (2006: £2.05m).
- Net assets per share of 246p (2006: 290p).
- Final dividend of 4.5p per share (2006: 4.5p), giving 7.2p for 2007 (2006: 7.15p).

***DSH***

- Leased hotels for 45 years providing a secure income stream which is inflation indexed and has further potential for rises depending on hotel profit performance.
- Strong pipeline of further developments, with plans for approx. 800 rooms (more than 20% of estate), of which 363 rooms have planning permission.

Barclay Douglas, Chairman of The Hotel Corporation plc, said:

“We welcome DSH’s successful transformation into an investment property company specialising in hotels. I believe it will prove to be an astute move.

“The lease arrangements with Barceló provide DSH with excellent prospects for income growth into the long term, underpinned by a strong covenant. Rental income is scheduled to increase from £28m to £30m from the beginning of September 2008 and if Barceló continues to make progress in improving hotel profitability, this income will begin to rise rapidly after a further two years. There are also good prospects for increasing rental income by carrying out the development programme.

“Your Company is well-placed to grow value for shareholders.”

**Press enquiries****The Hotel Corporation**

Barclay Douglas

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(Nominated Adviser to the Company)

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The Hotel Corporation plc

The Hotel Corporation is an AIM listed company which was established as a means for investors in publicly quoted companies to gain an interest in Dawnay Shore Hotels plc. It is currently a 49.9% shareholder in DSH. DSH currently owns a portfolio of 20 four star regional hotels in the United Kingdom. These hotels are now leased to the Barceló Group

The Hotel Corporation is an Isle of Man company, with its principal place of business and registered office in Douglas, Isle of Man.

Dawnay Shore Hotels plc

Paramount Group of Hotels was established in 1994 and was acquired by Dawnay Shore Hotels plc in July 2004. Following further acquisitions it now owns 20 four star hotels across Scotland, Northern England, Central England, Southern England and Wales, including the Lygon Arms in the Cotswolds, the Carlton Hotel in Edinburgh, The Marine in Troon, The Majestic in Harrogate, The Imperial in Torquay, The Imperial in Blackpool and the Oxford Hotel in Oxford.

The hotels offer extensive banqueting, conference and leisure facilities and many of them have architectural and historical significance. The Group has some 2,872 bedrooms and around 20,000 square metres of conference and meeting rooms and offers extensive facilities to both corporate and leisure guests.

The Barceló Group

Barceló Corporación Empresarial, S.A. is a privately owned Spanish hospitality company. The activities of the company include the management and operation of over 130 hotels across more than 14 countries under an ownership, leasing or management basis as well as the operation of retail travel agencies. The Barceló Group also promotes projects broadly related to the tourism and hotel industries, owning shares in other companies. The Barceló Group carries out its activities in Spain, the Dominican Republic, Costa Rica, Nicaragua, the United States, Mexico, the Czech Republic, Turkey and Switzerland, among other countries.

## **Chairman's Statement**

I am pleased to report on the final figures for the twelve months ended 31 December 2007.

As the company's principal asset comprises its interest in Dawnay Shore Hotels plc (DSH), this statement will focus both on the company's own results and then on those of DSH. The balance sheet of DSH as at 31 December 2007, income statement and consolidated cash flow statement of DSH for the period ended 31 December 2007 are also provided in this statement.

## **Results of the Company**

Revenue for the year, including bank interest, was £2.73m (2006: £2.28m) and following administrative expenses but before unrealised gains and losses, profit amounted to £2.50m (2006: £2.05m). In addition, an investment loss amounting to £15.2m (2006: gain of £49.2m) arising from the measurement of the company's investment in the ordinary shares of DSH at their fair value has been recognised, in accordance with International Financial Reporting Standards. Including this investment loss, total loss before tax was £12.7m (2006: profit of £51.2m). No tax is payable for the period due to the zero corporate taxation provisions in the Isle of Man. Basic and diluted earnings per share were (36.5p) (2006: 147.9p) including these investment gains, and 7.2p (2006: 5.9p) without it.

The company has valued its shareholding in DSH on the basis of the net asset value of DSH as set out in that company's accounts. DSH's accounts include a valuation of its portfolio of 20 hotels of £531m. The valuation was carried out by Colliers Robert Barry & Co, third party independent valuers, as at 31 December 2007. This translates into a net asset value per share in the capital of DSH of 400p (2006: 492p per share), after allowing for the carried interest attributable to the Founder shares in DSH. This compares with the price of 110p at which the company last acquired shares in DSH in January 2005.

## **Dividend**

The Company has proposed a final dividend of 4.5p per ordinary share (2006: 4.5p), making a total of 7.2p for the year (2006: 7.15p). The ex-dividend date will be 7<sup>th</sup> May 2008 and the record date 9<sup>th</sup> May 2008. Payment will be made to shareholders on Monday 16<sup>th</sup> June 2008. This amount reflects the profits for the year before investment gains and tax.

## **Dawnay Shore Hotels plc**

### **Introduction**

During 2007 DSH successfully implemented a strategic review, changing its business from being an owner and operator of hotels and becoming solely an owner of hotel property receiving income from property rents. It leased its portfolio of 20 prominent conference and leisure hotels to Barceló Group (“Barceló”), a leading Spanish hospitality company, and transferred the operation of the hotels to Barceló.

As a result, DSH has become a property investment company specialising in hotels. DSH has gained a secure and growing income stream from a blue chip tenant. The Board of DSH envisages that the Company’s future growth will come not only from further development of the existing property portfolio, but also from acquiring additional hotels to which a similar approach can be applied. The Board believes that DSH’s strategic alliance with Barceló will play an important part in the Company’s growth.

### **Financial Performance**

DSH’s results for 2007 reflect the changes in its business during the year. The transfer of the business became effective on 6 September 2007. During the period up to that date from 1 January 2007, some eight months, the Company traded as a hotel operator and for the remaining almost four months as a property company. Turnover as a hotel operator excluded the months in the run up to Christmas which is normally the best period for trading. Turnover following the transfer to Barceló is broadly representative of the company’s financial position in the first year of the lease and showed the Company generating an operating profit before revaluation of £7.9m.

As discussed below, DSH has had the properties professionally revalued as at 31 December 2007 and, as a result, is now carrying its properties at a total value of £531m. As part of this process, each individual property has been assigned a new value, in some cases eliminating the brought forward valuation surplus and consequently leading to a charge to the profit and loss account. This charge, £7.08m, is a non-cash item which is shown as a “deficit on revaluation”. The remainder of the effects of revaluation (a deficit of £18.36m) have been taken against the valuation surplus in the balance sheet, after which the surplus was £149.4m, being the revaluation reserve as at 31 December 2007.

Net interest payable increased by £5.5m, principally because the total borrowings of the Company increased during the year. The additional borrowings were taken on largely to fund capital improvements; details of the major projects are given below. Interest payable also includes amortisation of loan arrangement costs, which has been accelerated in 2007 reflecting the review of capital structure discussed below, and payments to bondholders of the Company’s deep discounted bonds. Bank borrowings at the end of the year were approximately £337m, 63.5 percent of the value of investment properties held.

### **Capital Expenditure**

During 2007 the Company had an active programme of capital expenditure, both to increase capacity and improve the facilities at its properties. This programme increased the number of rooms during the year from 2,708 to 2,872, representing an increase of 6%. A summary of the major capital projects is given in the following table.

## Major capital projects completed in 2007

Hotel	Project
Walton Hall Hotel and Spa, Warwickshire	72 extra bedrooms / new conference centre and upgrade of existing bedrooms/conference facilities and communal facilities.
The Lygon Arms Hotel, Cotswolds	8 extra bedrooms and refurbishment of main hall/reception/lounges and 13 existing bedrooms.
Majestic Hotel, Harrogate	11 extra bedrooms, new conference room and creation of 4 treatment rooms and refurbishment of conference room
Redworth Hall Hotel, Durham	43 extra bedrooms and refurbishment of 42 existing bedrooms
Shrigley Hall Hotel, Cheshire	Refurbishment of 68 existing bedrooms/reception and investment in golf course.
Imperial Hotel, Blackpool	Refurbishment of 42 bedrooms and corridors
Cheltenham Park Hotel, Cheltenham	Refurbishment of restaurant.
Daventry Hotel, Northamptonshire	17 extra bedrooms and refurbishment of 38 existing bedrooms/restaurant/bar/reception/conference facilities
Hinckley Island Hotel, Leicestershire	13 extra bedrooms and refurbishment of conference rooms

## New Leases and Property Revaluation

As mentioned above, DSH's strategic review was successfully concluded with the leasing of its hotels to Barceló Group. The leases place full repairing and insuring obligations on the tenant and provide guaranteed rental growth over the first four years which is inflation-indexed thereafter and can also increase if hotel EBITDA performs well.

For the purposes of preparing its annual financial statements for 2007, DSH has had the property subject to these leases professionally revalued. This portfolio, which excludes land held for non-hotel development, has been re-valued for this purpose at £527m. The Board of DSH considers that the current value of the land held for development is a further £4m.

This new valuation is a reduction of £29m from the valuation of £556m given in August 2007, immediately after the leases were granted. Compared to the general softening in property yields across the UK hotel market this reduction in value of 5.2 per cent

acknowledges the secure and growing income stream combined with the strength of the covenant and the attractive inflation-linking features.

### **Review of Capital Structure**

When the Company announced the outcome of the strategic review on 24 August 2007, the Board also announced that it intended to review the Company's capital structure. It commented that the secure income generated by the leases offered the opportunity to the Company to increase its borrowing. This would provide an opportunity, in due course to repay bondholders, fund future capital expenditure and also, possibly, to return further value to shareholders.

During the period since the announcement, the Company has had discussions with its bankers in order to progress these possibilities. These discussions have not yet been concluded and are continuing.

### **Development plans**

In the past DSH has successfully exploited the potential for gains in value through developing the portfolio by adding extra rooms and conference facilities. This programme is expected to continue and at present DSH has plans to add approximately 800 rooms (over 20 per cent of the current estate) of which 363 rooms have already received the necessary planning or listed building consent. There are also schemes for 2,500 sq.m (over 50% of which has planning consent) of additional meeting rooms and upgrades for several leisure clubs. The lease agreement provides a formula for these improvements to be added to DSH's rental income. The economics of adding these rooms is highly attractive for both parties. The value of the development potential of the portfolio is not typically fully recognised in a professional valuation and DSH therefore believes that fulfilling the programme will add significantly to net asset value.

### **Strategy and Plans**

Having concluded the leases with Barceló, DSH has transformed its financial position. The effect is to increase DSH's net cashflow before interest in the first year of the leases because DSH will no longer bear the overhead costs of the Paramount Group nor (other than an agreed contribution) need to fund maintenance expenditures. Cashflow will grow further in subsequent years according to the leases' formula and is supported by Barceló's strong covenant rather than being dependent on the potential cyclicality of the hotel business.

This gives the Company a strong platform from which to build further growth in value. The most obvious and immediate way to do this is through carrying out the development programme discussed above. Discussions with Barceló indicate that they are also keen to progress these additions, which offer an attractive prospect to both parties to the lease.

There are also a number of possibilities for additions to the current 20 hotel properties in the portfolio. We are conscious that a number of portfolios were marketed over the latter part of 2006 and during 2007 which were not sold. As a major successful hotel property specialist with good access to the financial markets, we remain open to taking advantage of attractive opportunities.

## **Prospects**

The Company is well-placed to grow value for shareholders. It has an attractive portfolio of assets which are let to a progressive tenant with a strong covenant. Under the terms of the leases, the rental income will increase to £30m (from £28m) from the beginning of September 2008. If Barceló continues to make progress in improving hotel profitability, and we believe that there are good prospects that they will, this income will begin to rise rapidly after two further years, but is in any event inflation linked (UK RPI) after the fourth year. There are also good prospects for increasing rental income by carrying out the Company's development programme.

## **Annual General Meeting**

Notice convening the Annual General Meeting of The Hotel Corporation, to be held at Burleigh Manor, Peel Road, Douglas, Isle of Man, IM1 5EP, will be enclosed with the Company's report and accounts to be despatched to shareholders shortly. Included will be resolutions seeking shareholders approval of the Company's investing strategy as required by AIM and for the repurchase of our own shares.

**Barclay Douglas**  
**Chairman**

**29<sup>th</sup> April 2008**

**The Hotel Corporation plc**

**Preliminary Results for the Year Ended 31 December 2007**

**Income Statement**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Continuing Operations</b>		
Revenue	2,615	2,185
Administrative expenses	(226)	(231)
Profit from operations	2,389	1,954
Bank interest receivable	111	92
Investment (losses)/gains – unrealised	(15,153)	49,169
(Loss)/Profit before tax	(12,653)	51,215
Taxation	-	-
<b>(Loss)/Profit after tax for the year from continuing operations</b>	<b><u>(12,653)</u></b>	<b><u>51,215</u></b>
<b>Earnings Per Share</b>		
	<b><u>2007</u></b>	<b><u>2006</u></b>
Basic and diluted	(36.5p)	147.9p
<b>Dividends</b>		
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Paid	2,493	2,025
Proposed	1,558	1,558



## Balance Sheet

<u>Assets</u>	2007		2006	
	£'000	£'000	£'000	£'000
<b>Non-Current Assets</b>				
Investments		82,823		97,976
<b>Current Assets</b>				
Trade and other Receivables	10		10	
Cash and Cash Equivalents	<u>2,332</u>		<u>2,321</u>	
		<u>2,342</u>		<u>2,331</u>
<b>Total Assets</b>		<u>85,165</u>		<u>100,307</u>
<b><u>Equity &amp; Liabilities</u></b>				
<b>Capital &amp; Reserves</b>				
Share Capital		1,731		1,731
Share Premium Account		33,300		33,300
Retained Earnings		<u>50,106</u>		<u>65,252</u>
		85,137		100,283
<b>Current Liabilities</b>				
Trade and other payables		<u>28</u>		<u>24</u>
<b>Total Equity &amp; Liabilities</b>		<u>85,165</u>		<u>100,307</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29<sup>th</sup> April 2008.

They were signed on its behalf by;

.....  
**Barclay Douglas**

.....  
**David Craine**

## Statement of Changes in Equity

	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total £'000
<b>Balance at 31<sup>st</sup> December 2005</b>	1,731	33,308	16,062	51,101
Profit for Year	-	-	51,215	51,215
Preliminary Expenses	-	(8)	-	(8)
Dividend	-	-	(2,025)	(2,025)
<b>Balance at 31<sup>st</sup> December 2006</b>	<b>1,731</b>	<b>33,300</b>	<b>65,252</b>	<b>100,283</b>
Loss for Year	-	-	(12,653)	(12,653)
Dividend	-	-	(2,493)	(2,493)
<b>Balance at 31<sup>st</sup> December 2007</b>	<b>1,731</b>	<b>33,300</b>	<b>50,106</b>	<b>85,137</b>

## Cash Flow Statement

	<b>2007</b>	<b>2006</b>
	<b>£,000</b>	<b>£'000</b>
<b>Net Cash Inflow/(Outflow) From Operating Activities</b>	407	(41)
<hr/>		
<b>Investing Activities</b>		
Interest Received	111	92
Proceeds received on the maturity of Investments	1,986	1,986
Net cash from Investing Activities	<hr/> 2,097	<hr/> 2,078
<b>Financing Activities</b>		
Preliminary Expenses	-	(8)
Dividends Paid	(2,493)	(2,025)
Net cash used in Financing Activities	<hr/> (2,493)	<hr/> (2,033)
<b>Net increase in cash and cash equivalents</b>	<hr/> 11	<hr/> 4
<b>Cash and cash equivalents at beginning of year</b>	2,321	2,317
<b>Cash and cash equivalents at end of year</b>	<hr/> 2,332	<hr/> 2,321

**Notes to the Financial Statements**  
**For the Year Ended 31<sup>st</sup> December 2007**

**1. Basis of accounting**

The financial statements in this announcement have been prepared in accordance with International Financial Reporting Standards (IFRS). The statements do not constitute statutory accounts within the meaning of the Isle of Man Companies Acts 1931 – 2004. The statutory accounts for the period ended 31 December 2007 are finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Companies Registry in the Isle of Man following the Company's Annual General Meeting.

**2. Investments**

Classified as:	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Fair Value through Profit or Loss Investments	66,273	81,426
Held to Maturity	<u>16,550</u>	<u>16,550</u>
	<u>82,823</u>	<u>97,976</u>

**Fair Value through Profit or Loss Investments**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Unlisted Investments at Fair Value</b>		
Fair value at Start of Year	81,426	32,257
Additions at cost	-	-
(Decrease)/Increase in fair value	<u>(15,153)</u>	<u>49,169</u>
Fair value at 31 <sup>st</sup> December	<u>66,273</u>	<u>81,426</u>

The unlisted investment shown above represents a holding of 16,550,000 ordinary shares of £1 par value in Dawnay Shore Hotels plc, which comprises 49.92% of the issued share capital of that company, which is incorporated and registered in the United Kingdom. Investments in the ordinary shares of Dawnay Shore Hotels plc ("DSH") held at the balance sheet date are measured at their fair value.

In determining the fair value attributable to the ordinary shares in DSH, the Directors have drawn upon the net asset value of DSH as set out in the financial statements of that company and have utilised that net asset value for each ordinary share held in DSH by the Company, making an appropriate adjustment for the carried interest attributable to the founder shares in DSH (as defined in the Hotel Corporation plc prospectus issued on 9<sup>th</sup> July 2004). The financial statements of DSH include a valuation as at 31<sup>st</sup> December 2007 of the portfolio of hotels that has been provided by an independent professional valuer and prepared in accordance with the rules of RICS.

Any resultant gain or loss in the value of the Company's equity investment in DSH is recognised in the Income Statement.

### Investments held to maturity

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost and net book value</b>		
At Start of Year	16,550	16,550
Additions	-	-
Amortisation of discount	1,986	1,986
Matured during year	<u>(1,986)</u>	<u>(1,986)</u>
At 31 <sup>st</sup> December	<u>16,550</u>	<u>16,550</u>

The investments included above represent unlisted investments in unsecured deep discount bonds issued by DSH (Finance) plc, a subsidiary of Dawnay Shore Hotels plc, maturing at nominal value over a period of 5 years. The bonds have a coupon rate of nil percent.

The maturity profile of the bonds held at 31<sup>st</sup> December 2007 is shown below:

<b>Maturing</b>	<b>Nominal Value</b>	
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	1,986	1,986
One to two years	17,543	1,986
Two to three years	-	17,543
<b>Total</b>	<u>19,529</u>	<u>21,515</u>

### **3. Earnings per Share**

	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>Basic and Diluted Earnings per Share</b>	(36.5p)	147.9p
This comprises:		
Basic and diluted earnings per share from operations and bank interest	7.2p	5.9p
Basic and diluted earnings per share from investment (losses)/gains	(43.7p)	142.0p

The calculation of basic earnings per share is based on the following data:

### **Earnings**

	<b><u>2007</u></b>	<b><u>2006</u></b>
	<b>£'000</b>	<b>£'000</b>
Profit from Operations	2,389	1,954
Bank Interest	111	92
	<u>2,500</u>	<u>2,046</u>
Investment (Losses)/Gains	<u>(15,153)</u>	<u>49,169</u>
Net (Loss)/Profit for Year	<u>(12,653)</u>	<u>51,215</u>

<b>Number of Shares</b>	<b>2007</b>	<b>2006</b>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share.	34,619,050	34,619,050

There were no convertible instruments in existence as at 31<sup>st</sup> December 2007 and therefore diluted earnings per share does not differ from the basic earnings per share.

#### **4. Notes to the Cashflow Statement**

Reconciliation of Profit from Operations to Net Cash from Operating Activities.

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Profit from Operations	2,389	1,954
Decrease in Receivables	-	9
Increase (Decrease) in Trade and other payables	4	(18)
Amortisation of Discount on Purchase of investments	<u>(1,986)</u>	<u>(1,986)</u>
Net cash inflow (outflow) from operating activities	<u>407</u>	<u>(41)</u>

Net cash inflows from operating activities includes cash from dividends received of £630,662.

#### **5. Events after the Balance Sheet Date**

On 29<sup>th</sup> April 2008 the Company proposed a dividend of 4.5 pence per share. The ex-div date will be 7<sup>th</sup> May 2008 and a record date of 9<sup>th</sup> May 2008. Payment will be made to shareholders on Monday, 16<sup>th</sup> June 2008.

#### **6. Information relating to Dawnay Shore Hotels plc**

The profit and loss account and consolidated cash flow statement of DSH for the year ended 31 December 2007 together with the balance sheet of DSH as at 31 December 2007 are provided on the following pages and have been prepared in accordance with applicable United Kingdom accounting standards. These should be read in conjunction with the preliminary results of the company.

## Additional Information

The following additional information has been supplied to the company by Dawnay Shore Hotels plc and should be read in conjunction with the preliminary results of the company

### Dawnay Shore Hotels Plc Consolidated Profit and Loss Account Year ended 31<sup>st</sup> December 2007

	<b>Discontinued activities £'000</b>	<b>Continuing activities £'000</b>	<b>Year ended 31 December 2007 £'000</b>	<b>Period ended 31 December 2006 £'000</b>
<b>TURNOVER</b>	67,649	9,342	76,991	101,228
Cost of sales	(8,028)	-	(8,028)	(12,166)
	59,621	9,342	68,963	89,062
<b>GROSS PROFIT</b>				
Administrative expenses	(56,463)	(1,433)	(57,896)	(70,334)
Administrative expenses - exceptional (Deficit on revaluation of properties)	-	(7,077)	(7,077)	-
	3,158	832	3,990	18,728
<b>OPERATING PROFIT</b>				
Loss on sale of fixed assets			(116)	(2)
			3,874	18,726
Interest receivable and similar income			140	160
Interest payable and similar charges			(29,160)	(23,622)
			(25,146)	(4,736)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>				
Tax on loss on ordinary activities			8,018	1,474
			(17,128)	(3,262)
<b>LOSS FOR THE FINANCIAL PERIOD</b>				
Equity dividend paid			(1,260)	(398)
			(18,388)	(3,660)
<b>RETAINED LOSS FOR THE FINANCIAL PERIOD</b>			(18,388)	(3,660)

As the Group ceased to carry on the business of hoteliers on its own account on 6 September 2007, the results of the hotel operations up to that date including the prior period are shown as discontinued.

**Dawnay Shore Hotels Plc**  
**Consolidated Balance Sheet**  
**31<sup>st</sup> December 2007**

	<b>As at 31 December 2007 £'000</b>	<b>As at 31 December 2006 £'000</b>
<b>FIXED ASSETS</b>		
Intangible assets – goodwill	9,002	9,523
Tangible assets	531,060	527,550
Investments	-	-
	<hr/>	<hr/>
	540,062	537,073
	<hr/>	<hr/>
<b>CURRENT ASSETS</b>		
Stocks	-	862
Debtors	819	9,995
Cash at bank and in hand	6,979	2,407
	<hr/>	<hr/>
	7,798	13,264
	<hr/>	<hr/>
<b>CREDITORS: amounts falling due within one year</b>	(24,129)	(22,947)
	<hr/>	<hr/>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	(16,331)	(9,683)
	<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	523,731	527,390
	<hr/>	<hr/>
<b>CREDITORS: amounts falling due after more than one year</b>	(362,496)	(321,389)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	(3)	(8,021)
	<hr/>	<hr/>
<b>NET ASSETS</b>	161,232	197,980
	<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	1,658	1,658
Share premium account	32,137	32,137
Revaluation reserve	149,425	168,043
Profit and loss account	(21,988)	(3,858)
	<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	161,232	197,980
	<hr/> <hr/>	<hr/> <hr/>



**Dawnay Shore Hotels plc**  
**Consolidated Statement of Total Recognised Gains and Losses**  
**Year ended 31<sup>st</sup> December 2007**

	Year ended 31 December 2007 £'000	Period ended 31 December 2006 £'000
Retained loss for the financial period	(17,128)	(3,660)
Unrealised (deficit)/surplus on revaluation of properties	(18,360)	137,022
<b>Total recognised gains and losses relating to the period</b>	<u>(35,488)</u>	<u>133,362</u>

**Note of Consolidated Historical Cost Profits and Losses**  
**Year ended 31<sup>st</sup> December 2007**

	Year ended 31 December 2007 £'000	Period ended 31 December 2006 £'000
Reported loss on ordinary activities before taxation	(25,146)	(4,736)
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	258	159
Historical cost loss on ordinary activities before taxation	<u>(24,888)</u>	<u>(4,577)</u>
Historical cost loss for the year retained after taxation and dividends	<u>(18,130)</u>	<u>(3,501)</u>

**Dawnay Shore Hotels plc**  
**Consolidated Cash Flow Statement**  
**Year ended 31<sup>st</sup> December 2007**

	Year ended 31 December 2007 £'000	Period ended 31 December 2006 £'000
<b>Net cash inflow from operating activities</b>	<u>23,947</u>	<u>24,530</u>
<b>Returns on investments and servicing of finance</b>		
Interest received	140	160
Interest paid	(18,059)	(19,488)
Interest paid on finance leases	(36)	(57)
Dividends paid	(1,260)	(398)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<u>(19,215)</u>	<u>(19,783)</u>
<b>Taxation</b>		
Corporation tax paid	-	-
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(35,485)	(23,169)
Sale of tangible fixed assets	226	34
<b>Net cash outflow from capital expenditure and financial investment</b>	<u>(35,259)</u>	<u>(23,135)</u>
<b>Acquisitions</b>		
Purchase of subsidiary undertakings	-	(197)
<b>Net cash outflow from acquisitions</b>	<u>-</u>	<u>(197)</u>
<b>Net cash outflow before financing</b>	<u>(30,527)</u>	<u>(18,585)</u>
<b>Financing</b>		
New term loans raised	105,626	17,802
New loan note issued	-	114
Term loans repaid	(63,033)	-
Bonds repaid	(2,751)	(3,091)
Loan notes repaid	(3,709)	-
New term loan issue costs	(663)	-
Repayment of principal under finance leases	(371)	(307)
<b>Net cash inflow from financing</b>	<u>35,099</u>	<u>14,518</u>
<b>Increase/(decrease) in cash</b>	<u><u>4,572</u></u>	<u><u>(4,067)</u></u>

**Note – Dawnay Shore Hotels plc**

The accounting policies used in arriving at these figures are consistent with those which will be published with the full financial statements. There are no changes in accounting policies from those used in the prior period. The financial information in this announcement has been prepared under the historical cost convention, adjusted for the revaluation of tangible assets in accordance with the accounting policies set out in the Company's Report and Accounts for the prior period. Such information does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 for the year ended 31 December 2007 and period ended 31 December 2006. The financial information for the prior period ended 31 December 2006 is derived from the statutory accounts for that period which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s237(2) or (3) of the Companies Act 1985. The statutory accounts for the year ended 31 December 2007 have been prepared on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's annual general meeting.