



Annual Report 2007

room for growth



Contents and introduction

Welcome to Park Plaza Hotels. This is our first Annual Report as a listed company but our experience – and success – in every aspect of hotel ownership and management dates back to 1989. Today Park Plaza Hotels & Resorts, and our distinctive art’otels, are recognised centres of stylish and affordable luxury accommodation.

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Our objective is to become the leading hotel owner/operator in the four-star deluxe and boutique hotel markets in Europe, the Middle East and North Africa.

In 2007 we made considerable progress in achieving that goal. Highlights of the year included:

- 24.4% growth in EBITDA¹ to €28.4 million
- An increase in Group revenues¹ by 10% to €97 million
- Floatation on the London Stock Exchange's Alternative Investment Market (AIM), which raised £85 million before costs through a placing with new institutional investors
- Expansion of the Group's portfolio, including acquisition of a hotel in Nuremberg and signing of a franchise agreement for a hotel in Marrakech
- Product improvement with refurbishments in Berlin, Eindhoven and Amsterdam
- A year-end cash and cash equivalent balance of €120 million, providing the flexibility to expand our hotel portfolio
- Development of a Group-wide training programme, Connect!, designed to help employees internalise the ethos that makes our hotels uniquely appealing to existing and prospective guests

Post balance sheet progress in 2008 has been notable for:

- Opening of the Park Plaza County Hall London
- Acquiring full ownership of the Park Plaza Westminster Bridge London project, destined to become one of Europe's largest and best conference hotels
- Joint venture to develop an art'otel in Hoxton, London
- Ownership stake in, and management of, Arenaturist – one of Croatia's leading hospitality companies with 2,800+ rooms
- Joint venture to develop 15 to 20 Park Plaza Hotels in Russia within the next four years

¹ Like for like, un-audited proforma results.

The Group

The Group owns, operates and franchises hotels in major cities and regional centres in Europe, the Middle East and North Africa.

The majority of our hotels are branded Park Plaza Hotels & Resorts or art'otel. Each brand attracts a different segment of the growing number of travellers in both the business and leisure sectors who seek high standards of style and service at attractive rates.

- 39 hotels in operation with a total of more than 7,300 rooms
- Access to one of the industry's most powerful reservation, distribution and marketing systems through our strategic partnership with Carlson Hotels Worldwide, the world's ninth largest hotel company*
- Strong development pipeline with 5,700+ rooms under development in exciting destinations such as London, Cologne, Nuremberg, Marrakech and leading Russian locations

* Source: HOTELS Magazine - Corporate 300 Ranking July 2007.

Key figures

A dramatic and exciting year for the Group has resulted in some impressive financial figures. The highlights are as follows:

IPO funds generated

£85m

Revenue generated

Like for like, un-audited proforma results

€97.0m



EBITDA

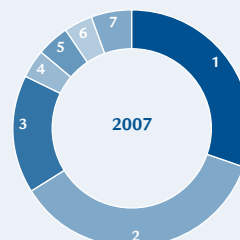
Like for like, un-audited proforma results

+24.4%



Rooms in operation, by country

	2007	2008 First quarter
1 Germany	1,250	1,250
2 United Kingdom	1,478	1,876
3 The Netherlands	666	666
4 Hungary	165	165
5 Israel	180	180
6 Ireland	155	155
7 Belgium	229	229
8 Croatia	-	2,810
Total	4,123	7,331



Our hotels

A dynamic, successful and developing hotel owner/operator with breadth and depth.

Germany

Park Plaza Prenzlauer Berg Berlin

Park Plaza Wallstreet Berlin

art'otel berlin mitte

art'otel berlin city center west

art'otel berlin kudamm

art'otel potsdam

Park Plaza Dresden

art'otel dresden

Park Plaza Trier

United Kingdom

Park Plaza Victoria London

Park Plaza Riverbank London

Park Plaza Sherlock Holmes London

Park Plaza Nottingham

Park Plaza Leeds

Park Plaza Cardiff

Park Plaza Belfast

The Netherlands

Park Plaza Victoria Amsterdam

Park Plaza Vondelpark Amsterdam

Park Plaza Utrecht

Park Plaza Mandarin Eindhoven

Hungary

art'otel budapest

Israel

Park Plaza Orchid Tel Aviv

Ireland

Park Plaza Tyrrelstown Dublin

Belgium

Park Plaza Astrid Antwerp

New developments

Our goal is to double the number of rooms to over 8,000 by 2010 and we are well on target to achieving this.

2008 first quarter developments

New openings

Park Plaza County Hall London, U.K.

Management of, ownership stake in, Arenaturist's eight hotels and five aparthotels in Croatia

2009 – 2012 developments

Franchise agreements

Park Plaza Marrakech, MOROCCO (due to open mid-2009)

art'otel marrakech, MOROCCO (due to open mid-2009)

Development projects

Redevelop former hotel in Nuremberg, Germany

art'otel cologne, Germany

Monumental office building in Amsterdam, The Netherlands

Park Plaza Westminster Bridge London, U.K.

art'otel hoxton, London, U.K.

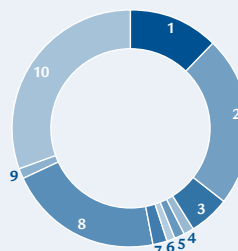
Joint venture with Ferens Management Ltd to develop 15 to 20 Park Plaza Hotels in Russia

Acquisition programme

Rebranding hotels in key locations: Paris, Rome, Milan and Barcelona as well as Scandinavia and central and eastern Europe.

Projected rooms in operation, by country – 2012

1	Germany	1,635
2	United Kingdom	3,063
3	The Netherlands	766
4	Hungary	165
5	Israel	180
6	Ireland	155
7	Belgium	247
8	Croatia	2,810
9	Morocco	184
10	Russia	4,000
	Total	13,205



Park Plaza Hotels at a glance

The brands



Three brands with unique appeal



The Park Plaza Hotels & Resorts brand (part of Carlson Hotels Worldwide) to which we have exclusive rights in 56 countries, consists of full service hotels. Each is ideally located at the heart of its city's business and cultural life. Thanks to a design-led approach, guests' first impressions of stylish and welcoming lobbies are confirmed by guestrooms notable for space, distinctive décor and state-of-the-art facilities. Park Plaza Hotels & Resorts average 150 to 500 rooms and suites. Carlson is further strengthening the Park Plaza Hotels & Resorts brand by developing contemporary hotels in key travel destinations such as Bangkok, Beijing and Shanghai.



Our art'otels – a brand which we acquired in July 2007 – are unique. Each showcases the work of a single contemporary artist, such as Andy Warhol, Georg Baselitz and Donald Sultan. art'otels are destination lifestyle hotels where modern interiors blend with contemporary art. They are carefully sited in the best neighbourhoods for shopping and culture.



The Group's three Chino Latino bars and restaurants offer a refreshing fusion of exotic cocktails and contemporary pan-Asian cuisine – all in lively and glamorous settings. Adjuncts to our hotels in London, Leeds and Nottingham, they have become highly popular local destinations in themselves.



Recent awards and recognition include:

- Finalist 'Best Business Accommodation <50 hotels' - 2008 Business Travel Awards
Park Plaza Hotels

United Kingdom and Ireland

- AA Hotel of the Year 2006/2007, Wales
Park Plaza Cardiff
- U.K.'s Number 1 Conference Hotel - BDRC Venue Verdict Awards 2007
Park Plaza Cardiff
- Best New Hotel - Hospitality Ireland Awards 2007
Park Plaza Tyrrelstown Dublin
- 'Rosettes' - recognition of quality of restaurant awarded at:
Park Plaza Victoria London
Park Plaza Cardiff
Park Plaza Sherlock Holmes London
- Best London Conference Venue 2007 - Conference and Incentive Travel Magazine
Park Plaza Riverbank London
- Best Large U.K. Hotel - Bronze Award 2007 - Visit London
Park Plaza Riverbank London
- Official 5-star AA Rating
Plaza on the River - Club and Residence, London
- Best Oriental Restaurant 2007 - Nottingham Restaurant Awards
Park Plaza Nottingham's Chino Latino Restaurant and Bar
- Winner of Best Restaurant Award 2007 - Eat Japan
Chino Latino Restaurant and Bar

Germany and Hungary

- Best Bookings - Expedia award
art'otel berlin city center west
- 3rd Best Hotel - Expedia Insider's Select List
art'otel budapest
- Top 100 Best Value Hotels 2008 - TripAdvisor
art'otel budapest

Impressive performance provides a platform for growth



‘Looking ahead, my fellow Directors and I are confident in the scope for growth.’

Even as an international hotelier of long-standing, I am impressed and pleased by the performance of Park Plaza Hotels in 2007. As the success of the Group’s mid-year IPO on AIM indicated, my confidence in the future of Park Plaza Hotels is widely shared.

In this brief message I would like to focus on the strengths that enabled us to have such a good year – and allude to the strategies that will result in the Group’s continuing success in the years ahead.

Having two distinct hotel brands within our Group has certainly been in our favour. During 2007 both brands benefited from the continuing growth in European travel among business people and holiday-makers alike. Hotels within our full service Park Plaza Hotels & Resorts brand, with their extensive range of meeting rooms and conference facilities as well as recreational facilities, bars and restaurants have continued to attract new guests and retain previous visitors across both the executive and leisure sectors. At the same time, our Group’s art’otels, targeted at a sophisticated audience who appreciate staying in places in tune with local culture, have gained from the increase in short-haul European travel, including weekend city breaks. Operation of two distinct yet complementary brands provides us with maximum market flexibility.

Guests who stay at our hotels once tend to revisit. But there is always the challenge of getting them across our thresholds in the first place. One major advantage is our close link with the global operations of Carlson Hotels Worldwide and its popular goldpointsplussm loyalty scheme. Thanks in part to this, combined with involvement in carefully-selected airline and travel agent loyalty programmes, we have increased our 2007 occupancy rate to 82.4% – considerably higher than the average for the regions in which we operate.

Historically, our integrated approach to hotel and brand ownership has proven to be beneficial. Thanks to seamless hotel management and franchise services, we have availed ourselves of a number of market opportunities. For example, the Group’s acquisition, development and operation of flagship hotels such as the Park Plaza Victoria Amsterdam and the Park Plaza Riverbank London have led to important joint venture developments. These have included the Park Plaza Westminster Bridge London project, which will be one of Europe’s largest conference hotels on completion in 2010. Park Plaza Westminster Bridge London, in turn, gave rise to other opportunities for the Group, such as management of what became the Park Plaza County Hall London nearby.

Further afield, the Group has also expanded Park Plaza Hotels & Resorts and art’otel franchise opportunities into new areas such as Morocco and the Gulf States. Such arrangements are particularly attractive, since they generate revenues and increase brand awareness without significant capital expenditure.

Looking ahead, my fellow Directors and I are confident in the scope for growth.

Expanding our two primary brands will cater for the growing demand for affordable luxury. We are doing this by increasing target customer awareness in Europe, the United States and in the emerging economies. At the same time, we are continuing to drive topline growth through further affiliation programmes with airlines and other partners. Operational efficiencies, such as the new management structure we initiated in 2007, are helping us to service the larger portfolio of properties we plan.

We are also growing through carefully targeted acquisitions and new joint ventures in western European cities. Scrutiny of other markets in Eastern Europe and the Middle East could suggest other cities for expansion.

Of course, central to the Group’s success are the efforts of the 2,000 employees who make our hotel guests feel so consistently welcome and appreciated. Though our senior managers and staff supply the framework with superbly designed and equipped facilities, it is our employees who make our offering come alive through their dedication, enthusiasm and thorough understanding of what makes our hotels different. Everyone who works for Park Plaza Hotels has our admiration and our thanks.

Our thanks, too, go to Park Plaza Hotels’ shareholders – many of whom joined us via our AIM listing in 2007. Through their investments, they have expressed tangible confidence in the Group’s unique vision and our ability to inspire our guests through individuality and passion.

Our aim is to repay that confidence in kind through outstanding performance.

Sincerely,

Eli Papouchado

Making the most of great potential



‘The Group’s structure, with its two distinct hotel brands, allows for complete flexibility.’

In our first year as a publicly traded company on AIM, it is best to begin by letting our financial indicators speak for themselves:

- Total revenue¹ for the year increased by 10% to €97 million. This reflected good performance throughout the Group, including a RevPAR rise of 6.1% from the previous year to €97.10. This increase is mostly due to improvements in average room rates in our two most important markets: the United Kingdom and the Netherlands.
- In the United Kingdom we achieved a RevPAR of €144.60 for the full year, up 13.7%. In the Netherlands, our RevPAR was €112.50, an increase of 8.4% – a result attributable to an average room rate increase of 6.8% while maintaining an occupancy rate of 90%.
- Group EBITDA¹ increased by 24.4% to €28.4 million thanks to strong performance in particular from our hotels in the United Kingdom and the Group’s hotel management operations. These successes more than offset challenging conditions in Germany and Hungary.

As we stated when the Group applied for admission to AIM, we intend to retain our earnings and make the most of a strong balance sheet to grow our portfolio. Therefore, we do not anticipate paying any dividends during the 18-month period that began with our AIM listing on 17 July, 2007. Instead, our priority is to concentrate investing our time and efforts on expanding our portfolio of hotels, making the most of the Group’s exciting brands and improving operations in terms of guest experience and efficiency.

We are doing this from a position of strength, as our 2007 results demonstrate.

The Group’s structure, with its two distinct hotel brands, allows for complete flexibility. Park Plaza Hotels & Resorts, which is a part of Carlson Hotels Worldwide, allows us exclusive rights in 56 countries in Europe, the Middle East and North Africa. In addition, are those properties that are part of our own brand, art’otel. Both operate in the mid-to upscale market segment but attract their own styles of business and leisure travellers.

¹ Like for like, un-audited proforma results.

The Group’s link with Carlson Hotels Worldwide adds another dimension to our business model. It provides access to Carlson’s large-scale and highly effective reservation, distribution and marketing system. This partnership grants Park Plaza Hotels several benefits usually confined to much larger organisations: economies of scale, operating experience, enhanced negotiating power and global reach.

To maximise these benefits and capture others, in 2007 we devised and successfully implemented a new yield management system throughout key portfolio properties. As a result, we can now make better use of historic data, analyse trends and optimise our pricing. This improves management forecasting ability and drives top line growth. Our hotels are also fully engaged in the new global Carlson goldpointsplusSM guest reward programme, which covers 965 locations in 71 countries. With its newly centralised and enlarged database, the system provides improved benefits to cardholders – and to us.

To widen our client-base even more, in 2007 we negotiated agreements with 14 frequent flyer programmes, a welcome addition to the five agreements already in place. We now have partnerships with the world’s main carriers such as KLM/Air France, Lufthansa, British Airways, American Airlines, United Airlines, JAL and Cathay Pacific. Again, these relationships have substantially increased our reach to potential guests the world over.

Sincerely,
Boris Ivesha



the bigger picture

At all Park Plaza Hotels & Resorts – and at our art’otels in particular – style is substance. It’s not just about creating exciting environments that intrigue and amuse our guests. Equally important is the attention paid to every detail to ensure that our properties provide a total experience that bears repeating.

Off the wall—and on. We have specialists dedicated to acquiring sculptures and paintings for our hotels. Art for art’s sake? No. Their efforts are part of building our distinctive brand.



Our strategy for growth

As a Group, Park Plaza Hotels' objective is straightforward: to become the leading hotel owner/operator in the four-star deluxe and boutique hotel markets in Europe, the Middle East and North Africa. We are achieving this aim by building on our key strengths through the implementation of a two-pronged strategy focusing on internal and external growth.

Enabling internal growth

Within our existing portfolio, we are pursuing several main paths to achieve our growth objectives.

Driving top growth: We are driving top growth by making the most of our existing assets. This means maximising occupancy and average room rates in all our hotels. Again, our links with affiliation programmes associated with airlines and other partners play an important part in this process. So will further use of and implementation of our new yield management system, Optims, which allows us to use historic data for forecasting and establishing pricing. With this knowledge, we can set room rates to our best advantage.

At the same time we are expanding our sales, marketing and public relations efforts. In particular, our growing team of 100 sales representatives will improve existing relationships, develop new links with major corporate customers and establish new preferred status arrangements with referral partners. We are also making better use of our brand websites with their user-friendly reservation systems. Top growth and increased profitability will also come from our food and beverage revenues – particularly in our full service Park Plaza Hotels & Resorts. These exert a strong attraction for business travellers and corporate event planners. To that end, we will renew our focus on conference trade and banqueting and continue the rollout of our own branded outlets such as Chino Latino restaurants and Mix Espresso Gourmet cafés.

Maintaining operational efficiency: We are confident that the Group's current corporate structure can service a considerably larger portfolio. This will provide us with the flexibility to take advantage of opportunities as they arise – whether to expand our operations or to increase returns from our existing portfolio of properties.

Raising brand awareness: Our aim is to further raise brand awareness among existing and potential guests in Europe, the U.S. and the emerging economies. We will do this by leveraging our relationship with third parties – foremost among them Carlson, with its highly sophisticated Central Reservations System, the goldpointsplussm guest reward scheme and the

Look To Book[®] travel agent loyalty programme. Our newer links with the frequent flyer schemes of 19 leading airlines such as KLM/Air France, Lufthansa, British Airways and their partners will also raise our brand profiles. On top of these efforts, we will make judicious use of our own carefully targeted advertising campaigns, online marketing initiatives and customer relations and database management tools.

Continuously differentiating our product and improving quality

Equally important are our efforts to make employees aware of what sets our hotels apart. The newly launched Connect! training programme, rolled out in early 2008, is an important part of that effort. Based on a 'reverse thinking' model, these one-day interactive workshops focus on the primacy of guest experience rather than the traditional hotel model of creating a product and hoping it attracts custom. By mid-year, all 2,000 staff and contractors at every level will have benefited from attending workshops – with each individual fully committed to anticipating guest needs and exceeding guest expectations.

Expanding through external growth

Equally exciting are the prospects to expand our business model through carefully considered external deals. These can take a variety of forms: acquisitions, joint ventures and developments; operating leases; management contracts; and franchising arrangements. Each has its benefits and each can be compatible with our brand philosophy.

Filling the pipeline:

Acquisitions, joint ventures and developments

In keeping with our stated goal of doubling the number of Park Plaza Hotels & Resorts and art'otel rooms by 2010, we have embarked on a vigorous acquisition programme. This means looking for properties of the right calibre in the right locations at the right price. Specifically, this will involve re-branding hotels in European gateway cities that include Paris, Rome, Milan and Barcelona, sites in Scandinavia and in certain central and eastern European cities including Vienna, Prague and Moscow.

Development projects are also a way forward.

For example, we gained valuable experience through the Group's involvement in the Park Plaza Riverbank and Plaza on the River – Club and Residence London development. For this project, we jointly acquired a prime Thames-side city-centre site and succeeded in getting planning permission for a 460-room/suite hotel with spacious conference facilities. Since opening in 2005, the hotel has benefited from the demand we anticipated and earned several important awards in the process. In 2007 an independent valuation put the hotel's worth at €218 million, of which our share is worth €120 million. Our total investment in the project had been €78.6 million.



Our plan is to embark on future ventures of this kind either independently or as part of a consortium with existing or new partners. Our projected art'otel in Hoxton, London illustrates this approach. Other recent acquisitions include a former hotel in Nuremberg, a monumental office building in Amsterdam and an ownership stake in Arenaturist in Croatia.

Operating leases: Another way to increase our portfolio of Park Plaza Hotels & Resorts and art'otel branded properties is through operating leases. These require less up-front capital investment than straightforward acquisition or development. However, they can expose the Group to possible rent increases and exclude participation in any future increase in property value. Therefore, we will only enter into operating leases on a selective basis that limits any liabilities.

Management contracts: Managing hotels for others can be an attractive and profitable way of expanding our brands. However, since competition for such contracts is often fierce, there is a temptation for owners to negotiate fee deferral arrangements or guaranteed returns. Fortunately, the strength of our brands gives us a negotiating advantage in such arrangements. Moreover, those owners for whom we currently provide management services are so pleased with the result that they are often inclined to come straight to us for work on other properties as well. That is how we were awarded the management contract for the Park Plaza County Hall London.

Franchising arrangements: These relationships enable us to expand our brands with minimal capital investment or risk. That is why our aim is to expand the roster of franchising arrangements currently in place in Cardiff, Berlin, Trier, Belfast, Dublin and Tel Aviv. To that end, we have entered into territorial franchise arrangements in Northern Ireland, the Republic of Ireland, Morocco, Egypt and the Gulf States. Our latest franchise agreements for hotels in Marrakech and the Gulf States are early results of this strategy.

Delivering on our promise

The Group's AIM application was absolutely clear about our intention to more than double the number of rooms in the portfolio to over 8,000 by 2010. In 2007 – and the early part of 2008 – we laid the groundwork for not just meeting our development targets, but exceeding them.

In Germany, for example, two projects are underway. In the ancient university city of Nuremberg, we have applied for planning permission to refurbish a newly acquired hotel. This property perfectly fits our location criteria. It is in the heart of a bustling shopping and business centre within easy reach of public transport. Our plan there is to create a 175-room Park Plaza Hotel. In Cologne, one of Germany's great commercial cities, construction has started on an art'otel. Leased and managed by the Group, this will form a key part of the

city's midtown Reinau Port development in the historic old town alongside the Rhine.

We acquired – with a partner – a monumental office building in 2006, next to Park Plaza Victoria Amsterdam. In 2007 we applied for planning permission to convert this into a 100-bedroom hotel.

Beyond Europe, in December 2007 we announced the signing of a franchise agreement with Global V Hospitality Inc. This will lead to the opening of North Africa's first Park Plaza Hotel in Marrakech, one of Morocco's most-visited cities. This hotel will add 114 rooms to our portfolio.

In 2007 we also laid the groundwork for a number of further developments. We announced early 2008 that we would increase our ownership share to 100% of the prestigious new Park Plaza Westminster Bridge London project. Due to open in 2010 with management provided by Park Plaza Hotels, this apart-hotel will have 1037 apartments and is destined to become one of Europe's largest and most contemporary conference hotels. The Park Plaza County Hall London added 398 rooms to our portfolio when it opened on 01 February 2008. Both occupancy rates and guest feedback have since been encouraging. Park Plaza Hotels manages this outstanding development.

Having had such success with the Park Plaza Hotels & Resorts brand in London, we are now embarking on the city's first art'otel. In March, we announced a joint venture agreement with Aldersgate Investments Limited, the property vehicle of the Reuben Brothers, to develop and manage a property in Hoxton, which has become one of the city's most creative quarters. In keeping with the ambience of the neighbourhood, we have plans for an art gallery, two showing rooms for cult films, a range of restaurants and bars – as well as several hundred rooms.

In Croatia, we acquired an ownership stake in – and management of – Arenaturist, one of the country's leading hospitality companies with more than 2,800 rooms. The investment in Arenaturist is in partnership with Goldman Sachs.

In Russia, which is emerging as one of the world's most exciting markets for quality hotels, we embarked on a joint venture with Ferens Management Limited (part of the leading developer the Renova Sroygroup) to develop between 15 and 20 Park Plaza Hotels in key locations over the next four years.

Overall, the Group's progress in 2007 and our achievements to date in 2008 are encouraging. Although it is early in the year and there are uncertainties in the economic environment, we are confident that our current portfolio of hotels and pipeline of opportunities leave us well-positioned for further growth in the near future and beyond.





well connected

Our guests certainly are, with high speed internet access and all they need to keep in touch with home or office. And so are we, thanks to links with the Carlson network and its global Central Reservation System and guest reward schemes such as goldpointsplussm.

Other connections, such as with Carlson's award-winning Look To Book[®] travel agent reward scheme and airline frequent flyer partnerships, provide us with considerable marketing advantages at minimal costs.

Putting our performance in context

Park Plaza Hotels has the exclusive license from Carlson Hotels Worldwide to operate Park Plaza Hotels & Resorts in 56 countries. The potential of our art'otels is global.

But for now, our primary focus is on four of the most dynamic economies of the European Union: the United Kingdom, Germany, the Netherlands and Hungary. The Group's business model, with its built-in flexibility, will allow us to shift our emphasis over time to emerging markets as well as key European gateway cities.

Meanwhile we are well positioned to benefit from the existing situation. In our first year as an AIM-listed company, we made considerable progress in our objective to become the leading hotel owner/operator in the four-star deluxe and boutique hotel markets in Europe, the Middle East and North Africa.

The Group's EBITDA¹ increased by 24.4% in 2007 to €28.4 million, reflecting robust activity from our existing hotel portfolio. At the same time we had a number of development projects underway – several signed in the past six months – that will help us surpass our stated goal of doubling the number of rooms in our portfolio to 8,000 by 2010. These new developments include properties in London, Nuremberg and Cologne, franchise agreements in Marrakech, and – most recently – expansion in Croatia and Russia.

Total revenue¹ for the year increased by 10% to €97 million from €88.2 million in 2006 – the result of good performance throughout the Group. Overall RevPAR increased by 6.1% to €97.10 from RevPAR €91.60 the previous year.

¹ Like for like, un-audited proforma results.

A growing market in the United Kingdom

The London market, which accounts for about half of the Group's revenues, was strong in 2007, though there was a slight slowdown in business during the second half. Throughout, we benefited from increased market share and higher room rates, which had a positive impact on our United Kingdom RevPAR which increased by 13.7% to €144.60 for the full year. In contrast, our RevPAR in 2006 was €127.30. Thanks to improvements to our London central reservations office, we also increased the level of direct, non-commissionable business. Strategic use of third-party websites resulted in significant growth in weekend occupancy rates.

The only area in which performance fell below expectations was in conferencing and banqueting in the United Kingdom, which accounts for over a quarter of our revenues in this country. To improve this situation, we appointed a new management team whose objective is to concentrate on all-important corporate bookings and the period leading up to Christmas. We are already on track to deliver stronger conferencing and banqueting results this year.

Rising to challenges in Germany and Hungary

Early 21st century Berlin has become one of the most exciting cities in Europe. This has led to an oversupply of hotel rooms, with over 2,000 rooms opened in our price sectors during the course of the year. The result has been increased competition which has had an impact on both room rates and occupancy levels, particularly in West Berlin. We are dealing with this by determinedly growing our corporate business and limiting our exposure to discounted pricing in the leisure market.

This strategy is working and so overall performance during 2007 was broadly in line with the previous year's. A small decline in average room rates was offset by a small increase in occupancy. RevPAR for the period did, however, reflect the highly competitive environment, with a slight reduction to €51.70 from the previous year's €52.40.



We aim to improve the Group's performance in Germany through tighter cost controls, management improvements and refurbishments as appropriate to make our hotels the most appealing in the market. This process has already begun. In August 2007 we completed modernisation of 133 rooms and all the public areas at our art'otel berlin kudamm. Three months later we started work on refurbishing the art'otel berlin mitte in the historic city centre. This project, which involves renovation of 109 rooms and suites as well as banqueting facilities and meeting rooms is due for completion by the middle of 2008.

In Hungary, the Budapest market has proved to be equally competitive. Nevertheless, our art'otel budapest showed further signs of recovery in the second half of the year.

A capital benefit in the Netherlands

The Dutch hotel market remains one of Europe's most vigorous and our performance there more than kept pace. We achieved RevPAR growth of 8.4%, largely attributable to a climate healthy enough to absorb a 6.8% increase in average room rates to €126.80. Building on occupancy rates already in excess of the market average, we managed to achieve an overall rate for the year of 88.9% thanks to the high quality of our guest offering. Our local team deserves full credit for this achievement.

One of our key properties in the Netherlands is the Park Plaza Victoria Amsterdam. It gained market share and benefited from both increased occupancy and higher room rates. At our Park Plaza Vondelpark, also in Amsterdam, we achieved good progress on a major refurbishment programme. The first phase was completed in September. Inevitably, the closure of one third of the hotel's rooms during the summer had an impact on profitability. However, the high standards we are bringing to the hotel have already become apparent and we are confident that it will become a guest favourite.

Another refurbishment began in November 2007 at the Park Plaza Mandarin in Eindhoven, where 60 rooms and all the public areas have since been transformed. The hotel became fully operational again in February 2008.

Poised for further growth

Group profit before tax¹ was €22.1 million, in contrast to a loss the previous year of €4.7 million. This figure includes profit of €9.2 million from the sale of our 50% shareholding in Andrassy 25 Kft., a joint venture owning one property in Hungary. It also includes a negative goodwill adjustment of €13 million that resulted from the difference in the sale and purchase price of the Park Plaza Group before the July AIM IPO and the value of the Group at floatation. Without these items, the Group would have reported a marginal pre-tax loss in 2007.

Completion of the Group's IPO provides Park Plaza Hotels with a strong platform from which to grow our portfolio. As of December 31, 2007, net debt was €86.5 million, with cash and cash equivalents of €120 million.

We indicated at the time of the IPO that we intend to retain earnings for use in the business – and to help it grow – for 18 months following our AIM listing. That still holds true, though the Board will keep this policy under review in light of growth opportunities that may become available during that period.

¹ Like for like, un-audited proforma results.

rest easy

Anyone can provide guests with basic bed and breakfast. But giving them an experience that's simultaneously stimulating and restful is a more complicated proposition altogether. It demands wit, attention to detail and, above all, a commitment to quality. But Park Plaza Hotels carries it off consistently, competitively – and profitably.

And we are doing it more widely than ever before. Recent deals have more than doubled the number of rooms we'll be operating by 2010, expanding our operations beyond existing hotels in Europe, the Middle East and North Africa to take in new properties in Croatia and Russia as well.

Aktien kaufen und dann tief und lange schlafen

Buy stocks and then go to sleep for a long time André Malraux

买股票，然后沉睡 安德烈·马尔罗

株を買ったら、後はぐっすり長く寝る マルセル・マルロー



Board of Directors

1	2
3	4
5	

- 1 Eli Papouchado
Non-Executive Chairman
of the Board
- 2 Boris Ivesha
President and
Chief Executive Officer
- 3 Chen Moravsky
Chief Financial Officer
- 4 Kevin McAuliffe
Non-Executive Director
- 5 Nigel Jones
Non-Executive Director



Eli Papouchado 05 December 1937
Non-Executive Chairman of the Board
Date of appointment 26 June 2007

Eli Papouchado is the founder of the Red Sea Group and was Chairman of its Board for ten years. He has been involved in the construction, design, development, financing, acquisition and management of leading hotels, including the Park Plaza Riverbank London, Park Plaza Victoria London, Park Plaza Leeds, Park Plaza Nottingham, Park Plaza Victoria Amsterdam and the milestone Taba Hotel. Mr. Papouchado was involved in the development of hundreds of thousands of square metres of retail space in shopping malls and large residential projects in the United States, Eastern Europe and the Middle East. He also served as Chairman of the Israeli Hotel Association. Mr. Papouchado is Chairman of the Investment and Operational Committees.

Boris Ivesha 08 October 1945
President and Chief Executive Officer
Date of appointment 14 June 2007

Boris Ivesha has been the President of Park Plaza Hotels Europe since 1991. In 1972 he was appointed General Manager of the Royal Horseguards Hotel in London, a position he held until 1979, when he became a Managing Director for the Carlton Hotel in Israel. Mr. Ivesha established the Yamit Hotel in 1984, served as the hotel's President and brought the Park Plaza Hotels & Resorts brand to the Group in 1994 in collaboration with the Red Sea Group. Mr. Ivesha has been one of the major drivers behind the expansion of the Group's portfolio. He sits on the Investment and Operational Committees.

Chen Moravsky 11 November 1970
Chief Financial Officer

Date of appointment 14 June 2007

Chen Moravsky was Financial Director of the Red Sea Group before joining Park Plaza Hotels Europe in 2005. Mr. Moravsky worked as an Audit Manager at Deloitte. He joined the Red Sea Group in 2001, where he gained his expertise in the hotel/leisure business and real estate investment market. Mr. Moravsky is a Certified Public Accountant (ISR) and holds an MBA from The University of Manchester as well as a Bachelor of Business from the Tel Aviv College of Management. He sits on the Investment and Operational committees.

Kevin McAuliffe 12 June 1957
Non-Executive Director

Date of appointment 15 June 2007

Kevin McAuliffe has been the Chief Executive of Carey Group since 1999, prior to which he was Head of Advisory Services for Paribas International Private Banking operations. In 1994 he was appointed Chief Executive of Ansbacher, a Guernsey bank and trust company, having worked for the Ansbacher Group since 1980 during which he held the position of Finance Director as well as being a director of other banks held by the Ansbacher Group. From 1973-1980, he held posts in three different departments in the State of Guernsey. He is a Member of the Society of Trust and Estate Practitioners and a director of various companies, including U.K. Care No. 1 Limited.

Nigel Jones 04 December 1961
Non-Executive Director

Date of appointment 26 June 2007

Nigel Jones was the Chief Executive Officer of ComProp Limited, an AIM listed property company. Mr. Jones's directorships include U.K. Care No. 1 Limited, Matrix Property Fund Management (Guernsey) Limited and Threadgreen Industrial Limited. In 1995, Mr. Jones founded Jones & Partners Limited. Mr. Jones has been a member of the Royal Institution of Chartered Surveyors since 1989.

Elisha Flax 18 February 1962 – not pictured
Non-Executive Director

Date of appointment 26 June 2007

Elisha Flax is a real estate entrepreneur engaged in various property activities in Eastern Europe. Mr. Flax is currently a Non-Executive Director of Delek Global Real Estate plc, an AIM-listed company. Mr. Flax was previously employed as a solicitor at the London offices of U.S. law firms Chadbourne & Parke and Akin, Gump, Strauss, Hauer & Feld and general counsel at PlaneStation Limited. Mr. Flax holds an LLB degree from Keio University in Tokyo, Japan and is a qualified solicitor in England and Wales.

High standards, rigorously applied

Park Plaza Hotels' pursuit of excellence extends to corporate governance as well as hospitality.

For example, as a closed-ended investment company registered in Guernsey, the Company is eligible for exemption from the requirements of the Combined Code (the "Code") issued by the United Kingdom Listing Authority. Nevertheless, we voluntarily comply with the main requirements of Code, which sets out principles of good governance and a code of best practice. We do this through a framework for corporate governance which the Directors believe is suitable for an investment company of our size and business activities.

Consequently, the Board considers that the Company has complied with the provisions contained in Section 1 of the Code throughout this accounting period.

The Code recommends that the Board of Directors of a listed company should include a balance of Executive and Non-Executive Directors (and in particular Non-Executive Directors) such that no individual or group of individuals can dominate the Board's decision making. The Combined Code also recommends that the Chairman should, on appointment, be independent.

The Board

The Company currently has six Directors, four of whom are Non-Executives (including the Chairman Eli Papouchado). As recommended by the Combined Code, three of the Directors – Elisha Flax, Kevin McAuliffe and Nigel Jones – are regarded by the Company as being independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The Company's Chairman, Eli Papouchado, is the founder of the Red Sea Group, the Company's largest shareholder and is not therefore independent of the Company.

The Board has responsibility for the Group's strategic and financial policies and meets regularly.

All the Directors have access to the advice and services of the Company Secretary and are able to gain access to external independent advice, should they wish to do so.

The Board maintains an appropriate balance of Executive and Non-Executive members, all of whom receive regular and timely information concerning the activities of the Group. This information enables the Board to exercise its responsibilities and control functions in a proper and effective manner.

The Board has a breadth of experience relevant to the Company. The Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new Director appointed to the Board, consideration will be given as to whether an induction process is appropriate.

The Board considers agenda items laid out in the Notice and Agenda which are formally circulated to the Board in advance of the Meeting as part of the Board Papers. Directors may request any agenda items to be added that they consider appropriate for Board discussion. Additionally, each Director is required to inform the Board of any potential or actual conflicts of interest prior to Board discussion.

To date, the Board has not considered it necessary to have formal strategy sessions. This is because the investment strategy, which is set out in the Company's prospectus, is reviewed regularly.

The primary focus at Board Meetings is a review of investment performance and associated matters. These include gearing and asset allocation as well as marketing, investor relations, risk management, general administration and compliance, peer group information and industry issues.

The Board evaluates its performance and considers the tenure of each Director on an annual basis. The Board believes that the current mix of skills, experience, ages and length of service are appropriate to the requirements of the Company.

Directors' duties

The Directors have adopted a set of reserved powers, which establish the key purpose of the Board and detail its major duties. These duties cover the following areas of responsibility:

- statutory obligations and public disclosure
- strategic matters and financial reporting
- risk assessment and management, including reporting, monitoring, governance and control
- other matters having material effects on the Company

The Directors have adopted these reserved powers of the Board to demonstrate the seriousness with which the Board takes its fiduciary responsibilities. These powers also enable ongoing means of measuring and monitoring the effectiveness of Board actions.

Directors' responsibilities

The Directors are required to prepare the Directors' Report and the financial statements for each financial year. These must 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 for that year. In preparing annual financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the Company. This involves taking reasonable steps for the prevention and detection of fraud and other irregularities.

Board Committees

In accordance with best practice for corporate governance, the Group has established Committees to act on its behalf in overseeing and dealing with audit, remuneration, nominations, investment and operations.

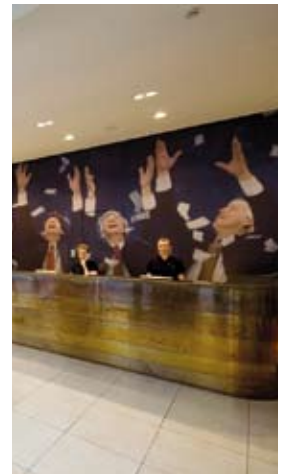
The Audit Committee comprises Kevin McAuliffe (Chairman), Elisha Flax and Nigel Jones and meets at least three times a year. The Committee assists the Board in observing its responsibility for ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the published financial statements represent a true and fair reflection of this position. The Committee also assists the Board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place. The Audit Committee receives information from the Company Secretary and from the external auditors.

The Remuneration Committee comprises Kevin McAuliffe (Chairman) and Elisha Flax. The Committee advises the Board on an overall remuneration policy and meets at least twice a year. It also determines, on behalf of the Board, and with the benefit of advice from external consultants, the remuneration packages of the Executive Directors. The Board determines the remuneration of the Non-Executive Directors.

The Nominations Committee comprises Elisha Flax (Chairman), Nigel Jones and Kevin McAuliffe. Whenever possible, all Non-Executive Directors attend its meetings as well. The Committee carries out the selection process for the appointment of candidates to the Board and propose names for approval by the full Board.

The Investment Committee comprises Eli Papouchado (Chairman), Boris Ivesha, Chen Moravsky and Elisha Flax. The Committee assesses and approves new projects in accordance with an agreed approval process. It is also responsible for carrying out post-investment appraisals.

The Operational Committee comprises Eli Papouchado (Chairman), Boris Ivesha, Chen Moravsky and Elisha Flax. It develops and implements the overall operations strategy. The Committee also determines the framework of the Operational Board and monitors its activities.



Internal controls

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the period under review and up to the date of approval of this Annual Report and Accounts. The Board reviews this process, ensuring it accords with appropriate corporate governance codes. On at least an annual basis, the Directors conduct a review of the Company's system of internal control. This covers all controls, including financial, operational, compliance and risk management.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and the policies by which these risks are managed.

Corporate responsibility

The Company keeps abreast of regulatory and statutory changes and takes appropriate action.

On an annual basis, the Chairman assesses the performance of each Director. This assessment includes a review of Board and Committee meeting attendance.

Going Concern

After making enquiries, and given the nature of the Company and its investments, the Directors are satisfied that it is appropriate to continue to adopt the going-concern basis in preparing the Financial Statements. After due consideration, the Directors consider that the Company is able to continue in the foreseeable future.

Relations with shareholders

Board members will be available to respond to shareholders' questions at the Annual General Meeting.

Major shareholders are contacted directly on a regular basis.

The Company formally reports once a year to shareholders, who receive a proxy voting card with the Annual Report and Financial Statements. Additionally, current information is provided to shareholders on an ongoing basis through the Company website. The Registrar monitors the voting of the shareholders and proxy voting is taken into consideration when votes are cast at the Annual General Meeting. Shareholders may contact the Directors via the Company Secretary.

Major shareholders

Shareholder enquiries

For information about the management of shareholdings please contact our registrar

Shareholder Services
Capita Registrars
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

Email: ssd@capitaregistrars.com

Tel: U.K. 0871 664 0300

Calls cost 10p per minute plus network extras.

Tel: Overseas +44 208 639 3399

Investor relations enquiries

Chen Moravsky
Chief Financial Officer
Hasselaerssteeg 11
1012 MB Amsterdam
The Netherlands
Tel: +31 (0) 20 713 8200
Fax: +31 (0) 20 524 0651
Email: cmoravsky@pphe.com

Website

Annual Reports, half year reports and share information are all available on our website www.parkplazahotels.net

Financial calendar

Financial year: 1 January to 31 December

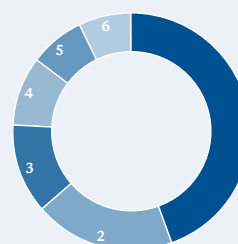
Earnings releases: 30 June, 31 December

Annual General Meeting held on 30 June, 2008

London Stock Exchange trading code: PPH.L

Ownership of Group shares

Name	No. of shares	Percentage of issued share capital
1 Red Sea Group	17,376,900	42.44%
2 Molteno Limited	7,500,000	18.32%
3 Goldman Sachs Group	4,751,364	11.61%
4 Nortrust Nominees Limited	3,767,184	9.20%
5 Chase Nominees Limited	2,931,500	7.16%
6 Vidacos Nominees Limited	2,737,663	6.69%



A shared journey

People will always need to travel. That is the basis – and future – of our business.

But there is a price to pay for travel that includes environmental and social costs as well as the bill on check out. Increasingly, our guests understand this and we are responding by working to principles set out in a Corporate Social Responsibility (CSR) programme that demonstrates an enthusiastic commitment to the environment and society. In real terms, this means making a positive contribution to local communities (which includes being a good employer) and minimising our own impact on the environment as well as our guests' while they are with us.

TREE takes root

For Park Plaza Hotels, CSR is an essential business process. And like every business process it needs management. To do that, we have devised TREE. Inspired by the Park Plaza Hotels & Resorts logo, TREE stands for Total Responsibility for Everyone's Environment.

TREE's objective is to research, develop, produce, implement and communicate our CSR aims. Starting in 2006 and during the course of 2007, the TREE team looked into individual hotel CSR initiatives and helped to determine which best practices could effectively be applied more widely. At the same time, the TREE team worked to identify and correct any irresponsible activities or behaviours.

Working closely with the United Kingdom Government-sponsored Carbon Trust and Envirowise, TREE developed an 'aims grid' to establish objectives, define responsibilities, devise measurement criteria and determine results.

To ensure that TREE was developing an appropriate CSR policy that encompassed all Park Plaza Hotels' best practices, a multi-national, multi-disciplinary team of senior people from throughout the Group formed a project team to review all CSR initiatives.

Commitment to the power of 10

The TREE team has done its work well and the Group now has commitments (mandatory) and initiatives (optional) in place that cover ten operating areas. Individual hotels and Park Plaza Hotels as a whole can make a real difference through these commitments.

By having some policies that are mandatory and others that are optional, we recognise the individual nature of our hotels, yet ensure a consistent minimum level of commitment throughout the Group.

Though TREE's accomplishment is considerable, its task is far from over.

Since CSR is a dynamic discipline, we recognise that our policies will constantly evolve, develop and intensify to reflect changes in our environment and the industry in which we operate.

Meanwhile, our efforts are already being recognised with a Considerate Hoteliers Association Award in the 'highly recommended' class for energy conservation and a Green Tourism Award.

Future indicative

The Group's newest hotel in London, the Park Plaza Westminster Bridge London, is due for completion in 2010. It provides an excellent indication of what other Park Plaza Hotels' projects may be like in future.

Our biggest development to date, Park Plaza Westminster Bridge London is specifically designed to limit any negative impacts on the environment, contribute to urban regeneration and make a positive impact on the surrounding community.

Corporate social responsibility

continued



For example, the project got off to an environmentally sound start by recycling some of the concrete salvaged from the demolished building on site (which had the dubious distinction of being voted London's ugliest structure).

When complete, the building will benefit from an on-site water bottling plant based on a carbon filter process that will eliminate the need to transport and dispose of an estimated one million bottles of water per year. Park Plaza Westminster Bridge London is also using the latest building insulation technology with triple-glazed, energy retaining cladding for heat and cold retention to ensure maximum energy efficiency year-round. On top of this, the hotel is projected to meet a substantial proportion of its own energy needs by producing power using a biomass electric generator.

A key part of the overall regeneration programme for London's South Bank, the Park Plaza Westminster Bridge London is dedicating several million pounds to local projects for public transport, employment and training. Considerable funds have also been allocated to develop a landscaped public space around the hotel; helping to create a spacious piazza that is set to become a local attraction in itself.

Partners for good

Of course, Park Plaza Hotels also realises the benefits of working with others to achieve CSR objectives. To that end, the Group is an active supporter of a number of organisations. The Willow Foundation, for example, organises and funds special days for young adults who are living with serious diseases such as cancer, cystic fibrosis and the later stages of multiple sclerosis. The Group's President and Chief Executive Officer, Boris Ivesha, sits on the Foundation's Board.

Through the Group's links with Carlson, Park Plaza Hotels also supports the World Childhood Foundation, which addresses the social, emotional and material needs of children the world over.

On the environmental front, the Group is helping guests to reduce their carbon footprints through an arrangement with Carbon Neutral. Through this initiative, members of the goldpointsplussm reward programme can redeem their Gold Points[®] to benefit community-based carbon reduction products that balance out the equivalent CO₂ emissions associated with their travel.

AIMS table

Who	Purpose	End Result	Success Criteria
<ul style="list-style-type: none"> • Employees of Park Plaza Hotels • Customers <ul style="list-style-type: none"> – Guests – Bookers • Owners/Stakeholders • Suppliers • Franchisees 	<ul style="list-style-type: none"> • Reduce utility consumption • Increase environmental responsibility • Improve waste management • Support the brand promise • Support local community • Meet legal requirements 	<ul style="list-style-type: none"> • Produce a clear environmental statement/policy • Communicate policy internally • Communicate policy externally • Policy adhered to throughout company 	<ul style="list-style-type: none"> • Deliver end result within agreed timeframe • Reduction in utility consumption • Reduce hotel utilities cost • Ensure project is recognised company wide • Kite mark/accreditations • Stakeholder feedback



Corporate Social Responsibility table

	Mandatory	Optional
Water	<ul style="list-style-type: none"> • Sub-metering of all kitchen areas and fitness suites to better monitor use • Inform guests of responsible water usage whilst in the hotel, e.g., towel change policy, running taps • Preventative maintenance of all water systems to avoid leakages, dripping taps etc • Ensure enforcement of water minimisation policy (defrosting, running water, water-efficient appliances etc) 	<ul style="list-style-type: none"> • Passive infrared WC flush in public areas (all new builds) • 6 litre cisterns used in all WC's (restricted use) • Dual flush consideration
Electricity	<ul style="list-style-type: none"> • Each hotel to adopt the SEASON (Save Energy And Switch Off Now) policy and posters to be printed in all back of house areas • Energy-saving light bulbs in all areas where appropriate and physically possible • E-cubes to be fitted, where appropriate, in all refrigeration appliances to regulate temperature and reduce energy usage • Energy saver key-card switch in all guest rooms (power activated by key card only) in all new and renovated hotels • Sub-metering to better monitor use and application of SEASON for all new build hotels and refurbishments • Building Management System (BMS) for all new build hotels or refurbishments to maximise efficiency of equipment 	<ul style="list-style-type: none"> • Movement sensors in all public areas where appropriate (automated on/off switch) including fire exits • Solar/wind turbine for provision of electricity
Heating	<ul style="list-style-type: none"> • Review of energy efficiency by certified organisation such as MK Energy Service in the U.K. • All service pipes to be insulated • Energy efficient boilers for all new build hotels • Sub-metering to better monitor use • Ensure enforcement of gas water minimisation policy 	<ul style="list-style-type: none"> • Consideration of SCOTMAS product with water temperature regulator and purification
Purchasing	<ul style="list-style-type: none"> • The CSR credentials of all suppliers to be reviewed (including utilities) • Work with suppliers to minimise transport miles, e.g., use local suppliers 	<ul style="list-style-type: none"> • Work with organic food suppliers where possible • Reduce packaging on supplied goods • Reduce number of deliveries to the hotel by suppliers on a weekly basis
Waste Management	<ul style="list-style-type: none"> • Glass, paper and general waste from offices, restaurants and public areas to be separated and effectively recycled • All toners and batteries to be recycled and offered back to the supplier or donated to a charitable organisation for recycling • Ensure all hazardous waste is disposed of in terms of local and national regulations, including all appropriate licences/register (ensuring compliance with legal standards) • Soap dispensers to be installed in all public areas • Waste reduction <ul style="list-style-type: none"> - Recycling of paper - E-mail signatures (don't print unless you have to!) 	<ul style="list-style-type: none"> • Installation of soap dispensers in guest rooms • Cardboard bailing facility in order to reduce general waste • Dual bins for recycling in guest rooms
Learning & Development	<ul style="list-style-type: none"> • Ensure CSR policy is fundamental part of all employee inductions • Ensure SEASON is fully implemented across the business and with every member of staff • Minimum twice-yearly review and audit of CSR policy and/or as legislation changes • Each hotel to establish a CSR review team to ensure implementation and review of the policy 	
Community	<ul style="list-style-type: none"> • Each hotel to give 10 working days (either one day per 10 staff or 10 staff working one day together) to a local charity or community organisation of choice • Each hotel to sponsor a local community project 	<ul style="list-style-type: none"> • Encourage car sharing, use of public transport and cycling to work • External partners to present to staff about general CSR policy
Charity	<ul style="list-style-type: none"> • Each hotel to support the Carlson charity of choice - World Childhood Foundation. Facility exists for guests to donate Gold Points® (loyalty reward programme) to charity • Each hotel to support one local charity of their choice • Donate unclaimed lost property to charity • Choose one dish on the restaurant menu to donate £1 or €1 with every order 	
Corporate Travel	<ul style="list-style-type: none"> • Use public transport wherever possible (considering financial and time constraints) 	
Guest Communications	<ul style="list-style-type: none"> • Distribute CSR messages throughout the hotel where possible, such as TV, tent cards, lifts • Include information about the CSR in the Guest Services Directory • Publish CSR policy online for download • Ability to reduce Carbon Footprint by redeeming Gold Points® 	<ul style="list-style-type: none"> • Any other communication to assist guests with conservation and environmental responsibility whilst in the hotel • Card that gives guests tips on how to conserve whilst in the hotel • Consider environmental impact of written communication

In an increasingly competitive market, the most successful hotels are those that consistently and positively distinguish themselves from the rest – and then constantly re-invent themselves.

At Park Plaza Hotels we understand this imperative and put it into practice with a design-led, service-oriented approach to hospitality wherever we do business.

But such consistency doesn't preclude individuality. Park Plaza Hotels & Resorts and art'otels are noted for their distinctive interiors and strong sense of place. Each is different and constantly evolving. Yet each remains distinctly us.

SHOWCASE | 07

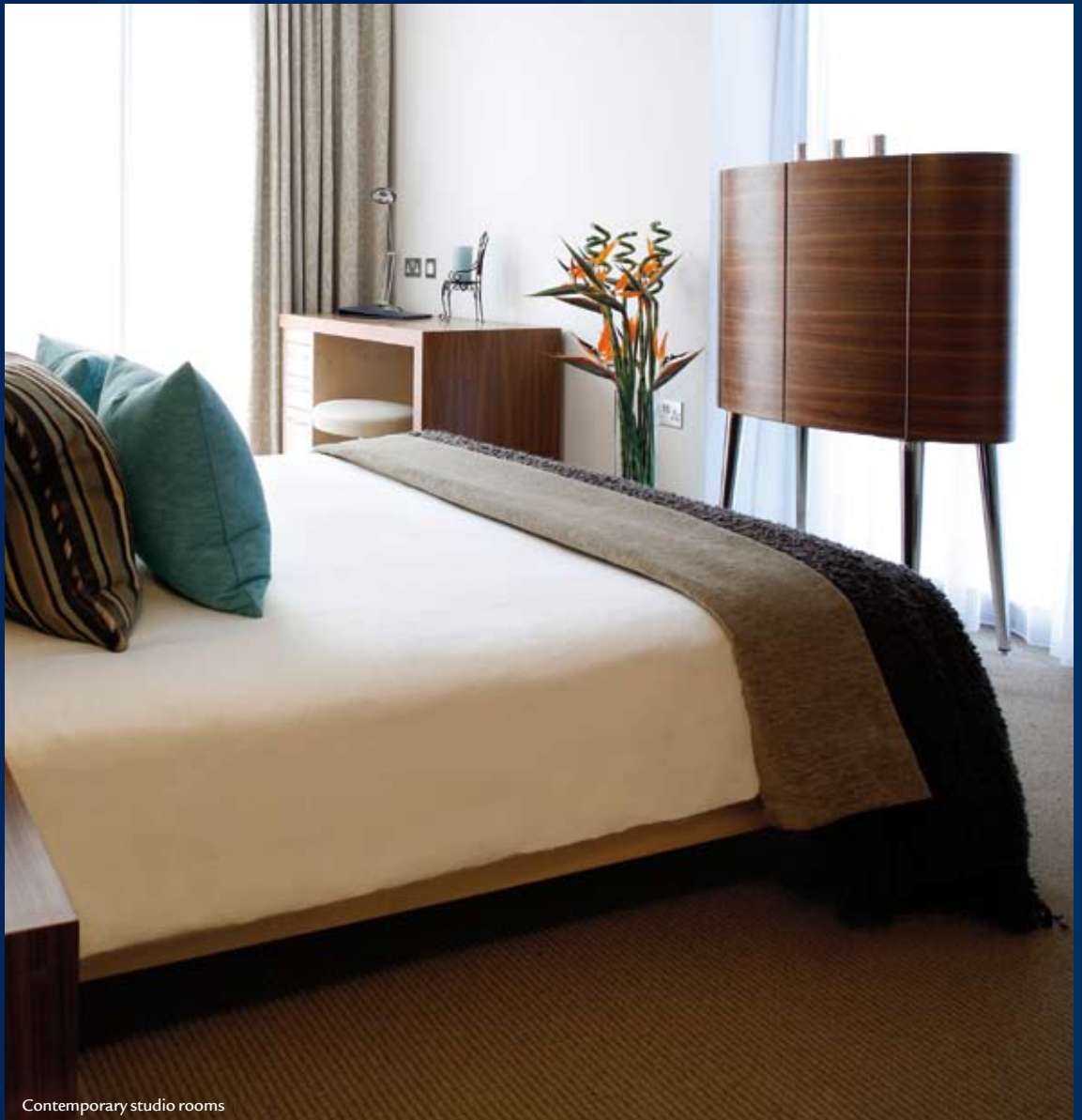
Light fantastic

Inspired by the magic of the Thames at night, the designers of the Park Plaza County Hall London on the south bank of the River Thames have made dramatic use of light throughout the 398-room hotel. One of the most striking examples is the appropriately-named Spectrum Bar and Café, which provides a spectacular atrium setting for drinks or dinner.

Park Plaza
County Hall London
1 Addington Street
London SE1 7RY
+44 (0) 20 7021 1800



Spectrum Bar & Café by night



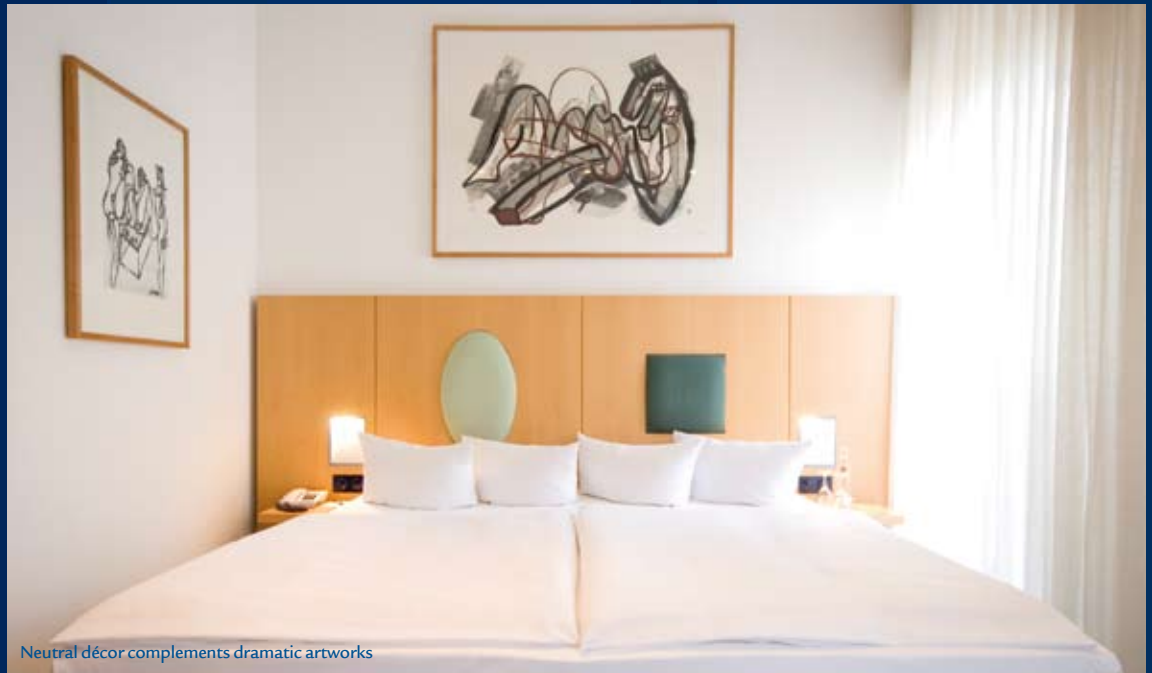
Contemporary studio rooms



State of Fluxus

Berlin artist Wolf Vostell was a proponent of the Fluxus School of the 1960s, noted for its revolutionary blending of different media and disciplines. With an amusingly eclectic feel and signed Vostell lithographs in each of its 133 guest rooms, the art'otel berlin kudamm is a contemporary homage to the artist and his period.

art'otel berlin kudamm
Joachimstaler Strasse 28-29
10719 Berlin
+49 (0) 30 88 4470



Neutral décor complements dramatic artworks



Minimalist design, effective results

Eastern appeal

Orange might be the national colour of the Netherlands, but at the Park Plaza Mandarin Eindhoven, the favoured fruit is of the eastern variety. That's because in addition to 102 guest rooms, the hotel features three fine oriental restaurants with a contemporary twist echoed in Mandarin's zen-like décor.

Park Plaza
Mandarin Eindhoven
Geldropseweg 17
5611 SC Eindhoven
+31 (0) 40 214 6500



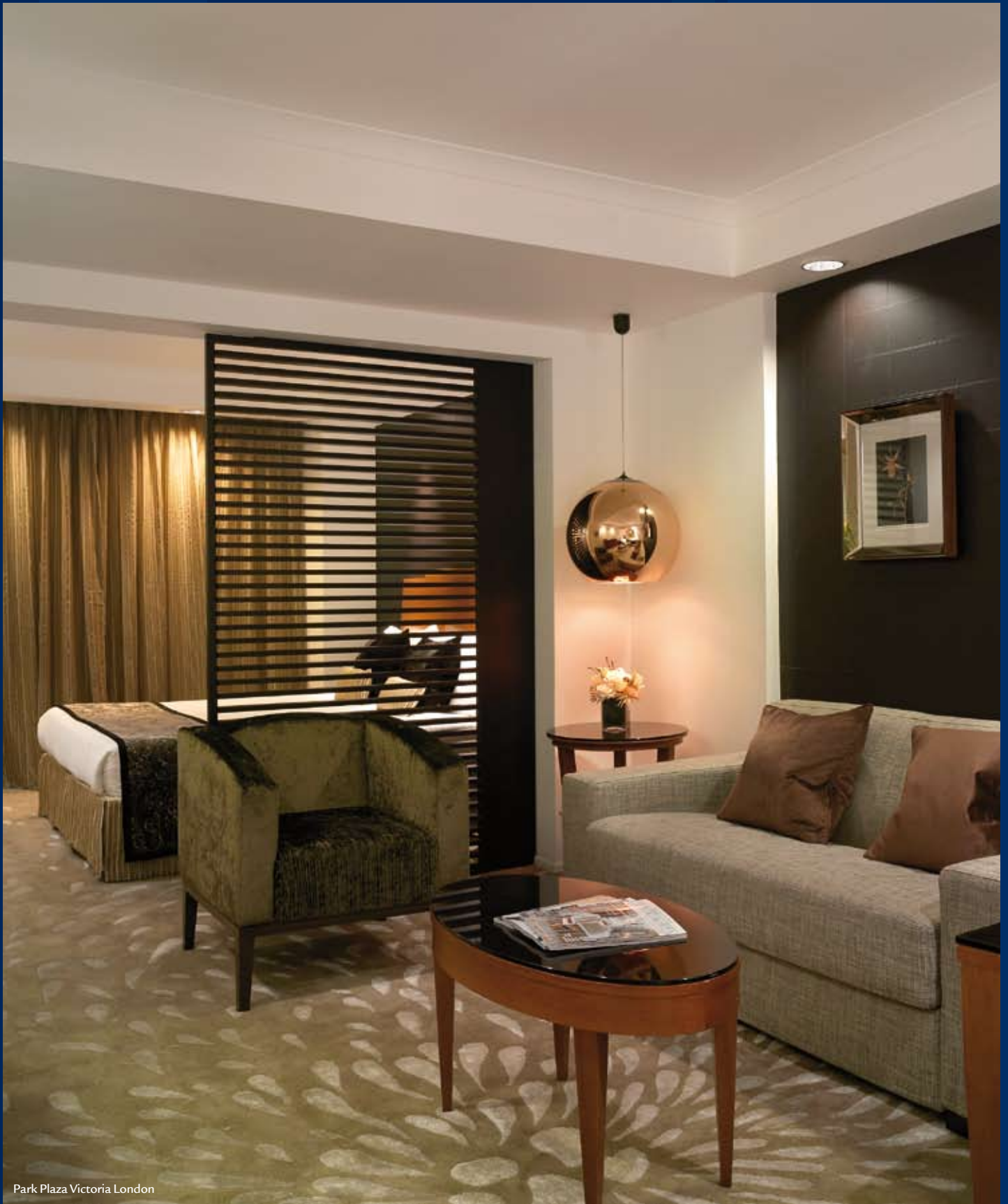
Modern zen interior



Park Plaza Mandarin Eindhoven



Refreshing new space

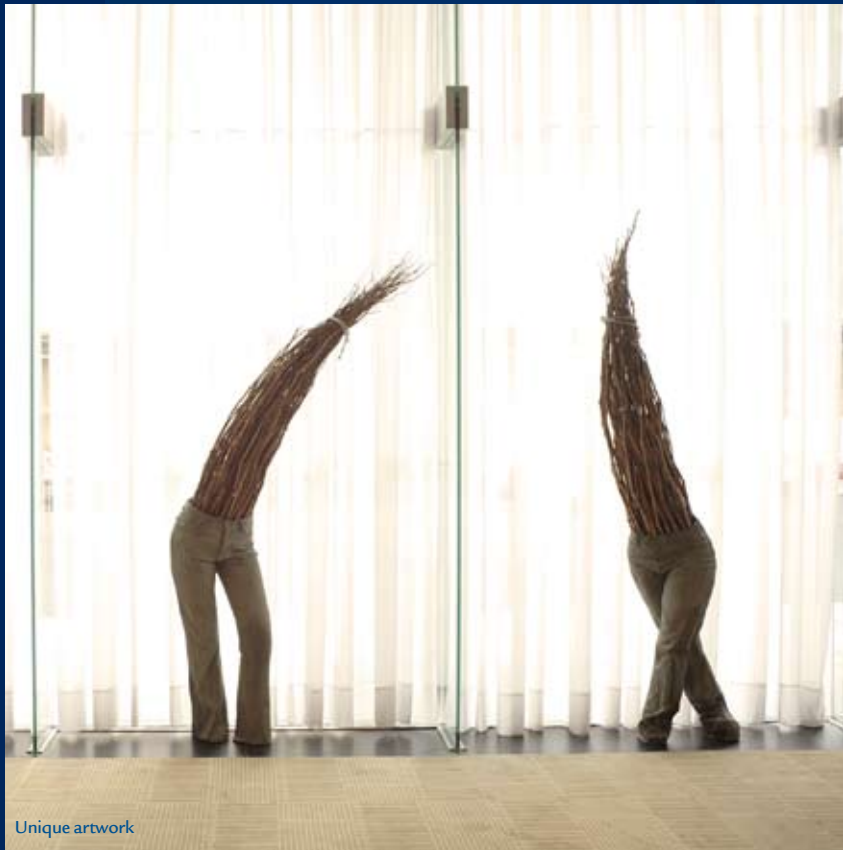


Park Plaza Victoria London

First class arrivals and departures

Just steps away from one of London's busiest mainline stations, the Park Plaza Victoria London has been designed to be a destination in its own right. The impressive contemporary foyer sets the scene for a restaurant serving modern European cuisine, a speciality coffee bar and 299 deluxe rooms, suites and apartments.

Park Plaza
Victoria London
239 Vauxhall Bridge Road
London SW1V 1 EQ
+44 (0) 20 7769 9999



Unique artwork



Clean modern lines



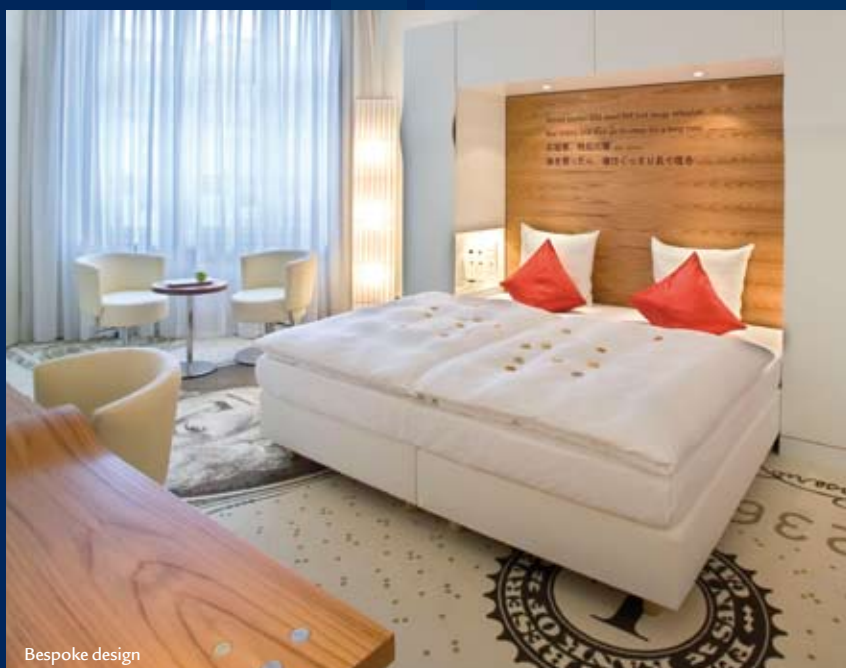
Capitalist cool

Where better to celebrate the spirit of free enterprise than in the city where communism crumbled so dramatically? The Park Plaza Wallstreet Berlin does just that. The 167-room hotel, in the historic centre of the capital, is suitably well equipped for serious executive gatherings as well as more playful occasions.

Park Plaza
Wallstreet Berlin
Wallstrasse 23-24
10179 Berlin
+49 (0) 30 847 1170



Brighter meetings



Bespoke design

Financial statements

Park Plaza Hotels Limited
Year Ended 31 December 2007
Euro in thousands

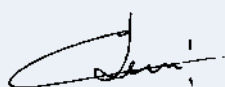
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Consolidated balance sheet

	Note	As at 31 December	
		2007 €'000	2006 €'000
Assets			
Non-current assets			
Intangible assets	4	56,993	–
Property, plant and equipment	5	170,848	134,443
Prepaid leasehold payments	6	20,621	18,678
Investment in an associate	7	9,109	10,028
Other financial assets	8	3,707	4,346
		261,278	167,495
Current assets			
Inventories		578	276
Trade receivables	9	10,634	3,273
Other receivables and prepayments	10	4,161	1,574
Short-term deposits		–	1,564
Restricted cash		646	1,021
Cash and cash equivalents	11	119,376	6,212
		135,395	13,920
Total assets		396,673	181,415

The accompanying notes are an integral part of the consolidated financial statements.

Adopted on: 15 May 2008.



Chen Moravsky, Chief Financial Officer.



Boris Ivesha, President and Chief Executive Officer.

Consolidated balance sheet

	Note	As at 31 December	
		2007 €'000	2006 €'000
Equity and liabilities			
Equity			
Issued capital	12	-	-
Share premium		195,894	14,401
Foreign currency translation reserve		(11,009)	(3,332)
Hedging reserve		1,759	4,349
Accumulated deficit		(21,377)	(28,675)
Total equity		165,267	(13,257)
Non-current liabilities			
Bank borrowings	15	177,912	169,020
Other financial liabilities	16	2,607	618
Deferred income taxes	23	2,061	1,192
		182,580	170,830
Current liabilities			
Trade payables		4,502	4,903
Other payables and accruals	17	15,668	9,825
Bank borrowings	15	28,656	9,114
		48,826	23,842
Total liabilities		231,406	194,672
Total equity and liabilities		396,673	181,415

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated income statement

	Note	Year ended 31 December	
		2007 €'000 ¹	2006 €'000 ¹
Revenues	18	75,039	48,852
Operating expenses	19	(44,503)	(35,770)
EBITDAR		30,536	13,082
Rental expenses		(6,102)	(1,165)
EBITDA		24,434	11,917
Depreciation and amortisation		(7,252)	(5,180)
EBIT		17,182	6,737
Financial expenses	20	(20,831)	(14,491)
Financial income	21	3,782	1,321
Share in profit/(loss) of an associate		(40)	85
Other income	22	22,184	-
Profit/(loss) before tax		22,277	(6,348)
Income tax expense (benefit)	23	(21)	1,555
Profit/(loss) for the year		22,298	(7,903)
Basic and diluted earnings/(loss) per share (in Euro)		0.78	(0.45)

¹ (except earnings per share).

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

	Issued capital	Share premium	Foreign currency translation reserve	Hedging reserve	Accumulated deficit	Total	Total recognised income (expense)
Balance as at 1 January 2006	-	14,401	(3,007)	(606)	(20,772)	(9,984)	
Change in fair value of hedging derivatives	-	-	-	4,955	-	4,955	4,955
Foreign currency translation adjustments	-	-	(325)	-	-	(325)	(325)
Loss for the year	-	-	-	-	(7,903)	(7,903)	(7,903)
Balance as at 31 December 2006	-	14,401	(3,332)	4,349	(28,675)	(13,257)	(3,273)
Cash dividend prior to IPO	-	-	-	-	(15,000)	(15,000)	-
Issue of shares upon acquisition of the Park Plaza Group	-	60,935	-	-	-	60,935	-
Issue of shares upon IPO on AIM	-	125,508	-	-	-	125,508	-
IPO expenses	-	(9,018)	-	-	-	(9,018)	-
Issue of shares to acquire art'otel rights	-	4,000	-	-	-	4,000	-
Change in fair value of hedging derivatives	-	-	-	(2,590)	-	(2,590)	(2,590)
Foreign currency translation adjustments	-	-	(7,677)	-	-	(7,677)	(7,677)
Share-based payments	-	68	-	-	-	68	-
Profit for the year	-	-	-	-	22,298	22,298	22,298
Balance as at 31 December 2007	-	195,894	(11,009)	1,759	(21,377)	165,267	12,031

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flow

	Year ended 31 December	
	2007 €'000	2006 €'000
Cash flows from operating activities		
Profit/(loss) for the year	22,298	(7,903)
Adjustment to reconcile profit/(loss) to cash provided by operating activities (a)	(17,466)	5,407
Net cash provided by operating activities	4,832	(2,496)
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,637)	(11,797)
Net change in cash upon acquisition of the Park Plaza Group (b)	6,735	-
Net change in cash upon disposal of joint venture (c)	14,930	(1,628)
Decrease/(increase) in short-term deposits, net	3,459	(989)
Increase/(decrease) in restricted cash	375	(117)
Repayments of loans from jointly controlled entities	-	4,501
Loans to related parties	-	(8,686)
Net cash provided by/(used in) investing activities	16,862	(18,716)
Cash flows from financing activities		
Proceeds from issuance of new shares	116,490	-
Dividend distribution	(15,000)	-
Proceeds from long-term loans	720	134,997
Repayment of long-term loans	(3,068)	(116,251)
Increase/(decrease) in short-term credit, net	67	(807)
Repayment of loans from related parties	687	(247)
Net cash provided by financing activities	99,896	17,692
Increase/(decrease) in cash and cash equivalents	121,590	(3,520)
Net foreign exchange differences	(8,426)	379
Cash and cash equivalents at beginning of year	6,212	9,353
Cash and cash equivalents at end of year	119,376	6,212

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flow

continued

	Year ended 31 December	
	2007 €'000	2006 €'000
(a) Adjustment to reconcile profit/(loss) to net cash provided by operating activities		
Gain on sale of investments	(9,148)	-
Negative goodwill on acquisition of Park Plaza Group	(13,036)	
Share in loss/(profit) of an associate	40	(85)
Provision for impairment	-	1,404
Deferred income taxes	682	(29)
Depreciation and amortisation	9,360	5,820
Share-based payments	68	-
Changes in operating assets and liabilities		
Decrease in other assets	-	676
Increase in inventories	(65)	(6)
Decrease/(increase) in trade and other receivables	199	(466)
Increase/(decrease) in trade and other payables	(5,566)	(1,907)
	(17,466)	5,407
(b) Net change in cash upon acquisition of the Park Plaza Group		
Current assets (except cash)	(12,922)	-
Current liabilities	29,889	-
Long-term assets	(112,734)	-
Long-term liabilities	28,531	-
Fair value of the shares issued as consideration for acquisition	60,935	-
Negative goodwill	13,036	-
	6,735	-

The accompanying notes are an integral part of the consolidated financial statements.

	Year ended 31 December	
	2007 €'000	2006 €'000
(c) Net change in cash upon disposal of joint venture		
Current assets (except cash)	307	11
Current liabilities	(104)	(1,096)
Property	5,579	-
Long-term liabilities	-	(543)
Gain on sale	9,148	-
	14,930	(1,628)
(d) Supplemental disclosure of cash flows		
Cash paid during the year		
Income taxes	294	259
Interest	13,009	10,816
Cash received during the year		
Interest	2,996	-
(e) Significant non-cash transactions		
Shares issued to acquire the Park Plaza Group	60,935	-
Shares issued to acquire intangibles	4,000	-

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

Note 1 General

a. The consolidated financial statements of Park Plaza Hotels Limited (“the Company”) for the year ended 31 December 2007 were authorised for issuance in accordance with a resolution of the Directors on 15 May 2008.

b. Description of business and formation of the Company:

The Company was incorporated and registered in Guernsey on 14 June 2007.

The Company through its subsidiaries owns, operates, manages, and franchises hotels in Europe, the Middle East and North Africa under two primary brands: Park Plaza Hotels & Resorts and art’otel.

On 14 July 2007, the Company entered into an agreement to acquire the Euro Sea Group. For periods prior to the legal formation of the Company, the assets, liabilities, revenues and expenses of Euro Sea Group were consolidated in preparing the financial statements (see Note 2.a). Also on 14 July 2007, as part of the IPO described in Note 1c, the Euro Sea Group acquired 100% of the voting shares of Park Plaza Hotels Europe Holding B.V., its subsidiaries and other investments (“Park Plaza Group” see Appendix B). As of this date the assets, liabilities, revenues and expenses of the Park Plaza Group were included in the consolidated financial statements (see also Note 3).

c. On 17 July 2007, all of the Company’s Ordinary shares were admitted for trading on AIM of the London Stock Exchange. In addition, the Company completed an initial public offering (“IPO”) of 15,450,000 Ordinary shares, at a price of £5.50 per share (€8.125 at the exchange rate on the date of acquisition). The net proceeds received from the IPO amounted to €116.5 million (net of expenses of €9 million).

Note 2 Summary of Significant Accounting Policies

a. Basis of preparation:

The consolidated financial statements of Park Plaza Hotels Limited and all its subsidiaries (“the Group”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

On 14 July 2007, the Company entered into an agreement to acquire the Euro Sea Group. The Euro Sea Group represents a group of companies under common control of the former controlling shareholder of the Company. These companies are principally engaged in the development, construction, management and operation of hotels in Europe.

In consideration for the acquisition of the Euro Sea Group, the Company issued 17,499,999 shares to the former shareholders of the Euro Sea Group. As this transaction involved the combination of businesses under common control, it is not a business combination in the scope of IFRS3, and the pooling of interests method of accounting has been applied in the presentation of the consolidated financial statements for the years ended 31 December 2007 and 2006. Accordingly, the assets and liabilities of the Euro Sea Group transferred to the Company have been recognised at historical amounts. For periods prior to the legal formation of the Company, the assets, liabilities, revenues and expenses of the Euro Sea Group were consolidated in preparing the financial statements. The consolidated financial statements present the results and changes in equity of the Company and its subsidiaries as if the Group had been in existence throughout the years presented and as if the Euro Sea Group operations were transferred to the Company as of 1 January 2006.

The accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2007 and 2006 are set out below. These accounting policies have been consistently applied to the periods presented unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for derivatives which have been measured at fair value.

b. Presentation currency:

The financial statements are presented in Euro.

c. Basis of consolidation:

The consolidated financial statements comprise the financial statements of the Group as at 31 December each year.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, income and expenses, and profits and losses resulting from intra-Group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group has interests in hotels in the Netherlands, the United Kingdom, Germany and Hungary, through subsidiaries and jointly controlled entities. For details of the Group's wholly-owned subsidiaries as at 31 December 2007, see Appendix C.

For details of the Group's interests in jointly controlled entities (proportionally consolidated as at 31 December 2007), see Appendix D.

d. Changes in accounting policy and disclosures:

The Group has adopted the following relevant new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures.

IFRS 7 Financial Instruments: Disclosures

IAS 1 Amendment – Presentation of Financial Statements

IFRIC 8 Scope of IFRS 2

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements

This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 31.

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation had no impact on the financial position or performance of the Group.

e. Use of estimates:

IFRS require management to use estimates or assumptions regarding transactions or matters whose ultimate effect on the financial statements cannot be accurately determined at the time the financial statements are being prepared. Although the estimates and assumptions are made using the best judgment available, the final effect of these transactions or matters may differ from the relevant estimates or assumptions.

f. Business combinations:

Business combinations, other than the Euro Sea Group transaction, are accounted for using the purchase method.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities. In the situation that the net fair value of the acquirer's identifiable assets exceeds the cost of the business combination (negative goodwill), this excess is recorded in profit and loss as other income.

Notes to the consolidated financial statements

continued

g. Investment in an associate:

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture.

Investments in associates are accounted for by the equity method. Under the equity method, the investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. The statement of operations reflects the share of the results of operations of the associates. The accounting policies of the associates conform to those used by the Group. As of 31 December 2007, the Company has an investment in one associate, as follows:

Name of company	Place of incorporation	Proportion of ownership interest	Principal activity
Marlbray Limited	U.K.	33.3%	Hotel company

h. Jointly controlled entities:

The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

i. Foreign currency translation:

The consolidated financial statements are presented in Euro which is the Group's presentation currency. The functional currency of the Company is Great Britain Pounds. Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising from exchange differences are included in the income statement.

The assets and liabilities of the entities whose functional currency is other than the Euro are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising on the translation are classified as a separate component of equity (currency translation reserve). Such translation differences are recognised as income or as expenses in the period in which the entity is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The following exchange rates in relation to the Euro have been used at balance-sheet date:

	As at 31 December	
	2007	2006 In Euro
Great Britain Pound	1.363	1.490
Hungarian Forint	0.004	0.004

Percentage of increase/(decrease) in exchange rates during the year:

	31 December	
	2007	2006 %
Great Britain Pound	(8.5)	2.2
Hungarian Forint	-	-

j. Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value at date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised using the straight-line method over their estimated useful life and assessed for impairment whenever there is an indication that the intangibles may be impaired. The amortisation period and the amortisation method is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense for intangible assets is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and recognised in profit and loss when the asset is derecognised.

k. Property, plant and equipment:

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method, over the estimated useful life of the assets as follows:

	Years
Hotel buildings	50 – 95
Furniture and equipment	2 – 15

The costs of maintaining property, plant and equipment are recognised in the income statement as they are incurred. Costs incurred that significantly increase the recoverable amount of the asset concerned are added to the asset's cost as an improvement and depreciated over the expected useful life of the improvement.

l. Impairment of non-financial assets:

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the asset is considered impaired and carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been determined had no impairment loss been previously recognised for the asset (cash-generating unit). A reversal of an impairment loss is recognised as income immediately.

m. Investments and other financial assets:

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Notes to the consolidated financial statements

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m. Investments and other financial assets: *continued*

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

n. Inventories:

Inventories include food and beverages and are valued at the lower of cost and net realisable value. Cost includes purchase cost on a first in-first out method.

Net realisable value is the estimated selling price in the ordinary course of business and the estimated costs necessary to make the sale.

o. Cash and cash equivalents:

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

p. Derivative financial instruments:

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised.

q. Trade receivables:

Trade receivables recognised under current assets are stated at their nominal value as reduced by appropriate allowances for estimated uncollectible amounts.

r. Bank borrowings:

Interest-bearing bank loans are recorded at the proceeds received, net of direct transaction costs. After initial recognition these borrowings are subsequently measured at amortised cost using the effective interest method.

s. Revenue recognition:

In accordance with IAS 18, revenue corresponds to the value of goods and services sold in the ordinary course of business by fully and proportionally consolidated companies. It includes:

- For directly owned and leased hotels, all revenue received from customers for accommodation, catering and other services, and for managed and franchised hotels, all management and franchise fees.
- For the service businesses, royalties for the use of Group trademarks.

In accordance with IAS 18, revenue is measured at the fair value of the consideration received or receivable, net of all discounts and rebates, VAT and other sales taxes.

Rental revenue is recognised over the lease term on a straight-line basis. Other revenues, from rendering of services (consulting) are recognised as the services are provided.

EBITDAR

Earnings before interest, tax, depreciation, amortisation and rental expenses and share of associate and tax (EBITDAR) corresponds to revenue less operating expenses. EBITDAR, together with EBITDA is used as a key management indicator.

EBITDA

Earnings before interest, tax, depreciation and amortisation (EBITDA) corresponds to gross profit after the operating costs of holding leased hotels.

EBIT

Earnings before interest and tax (EBIT) corresponds to gross operating profit after the operating costs of holding both leased and owned assets.

t. Leases:

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

Prepaid leasehold payments

Prepaid leasehold payments are up-front payments to acquire long-term leasehold interest in land and building. These payments are stated at cost and are amortised on a straight-line basis over the respective period of the leases (between 95 and 125 years).

u. Employee benefits:

Share based payments

The Board has adopted a Share Option Plan, under which employees and directors of the Company, its subsidiaries and jointly owned companies receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions). The costs of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate on the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in the cumulative expenses recognised as at the beginning and end of that period.

Pension

The Group has defined contribution pension plans where the employer is liable only for the employer's part of the contribution towards the individual's pension plans.

Notes to the consolidated financial statements

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v. Borrowing costs:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

w. Taxation:

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences; and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

x. Earnings per share:

Basic earnings per share amounts are calculated by dividing net profit for the year by the weighted average number of Ordinary shares outstanding during the year.

x. Earnings per share: *continued*

Diluted earnings per share amounts are calculated by dividing the net profit for the year by the weighted average number of Ordinary shares outstanding during the year plus the weighted average number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.

y. Future changes in accounting standards:

Standards issued but not yet effective

IAS 23 Borrowing Costs

A revised IAS 23 Borrowing Costs was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The Standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. As the Company already has a policy of capitalising borrowing costs, the Company believes this Standard will have no material impact on the financial statements.

IAS 1 (Revised) Presentation of Financial Statements

The revised IAS 1 Presentation of Financial Statements was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements.

The effect of the adoption of IAS 1 (Revised) will require the Company to present the above disclosure in the financial statements.

IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IFRS 2 (Revised) Share-based Payment

The amendment to IFRS 2 Share-based Payments was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation.

The Company has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

IFRS 8 Operating Segments

At 30 November 2006 IFRS 8 operating segment was issued and will replace IAS 14 Segment Reporting. IFRS 8 will be effective as of 1 January 2009

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

This interpretation becomes effective for annual periods beginning on or after March 1, 2007. This interpretation requires arrangements whereby an employee is granted rights to an entity’s equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. This interpretation is not expected to have an impact on the Group.

IFRIC 13 Customer Loyalty Programmes:

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group expects that this interpretation will have no impact on the Group’s financial statements.

Notes to the consolidated financial statements

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Note 3 Business Combination

On 14 July 2007, as part of the IPO (Note 1c), the Group acquired 100% of the voting shares of Park Plaza Hotels Europe Holding B.V., its subsidiaries and other investments (the Park Plaza Group). A list of subsidiaries and investment of the Park Plaza Group is included in Appendix B. The Park Plaza Group is principally engaged in holding hotels and providing management and franchise services, for hotels in Europe, the Middle East and North Africa. Park Plaza Group operates under two brands: Park Plaza Hotels & Resorts and art'otel.

The fair value of the identifiable assets and liabilities of the Park Plaza Group as at the date of acquisition (based on an independent appraisal) and the corresponding carrying amounts immediately before the acquisition were:

	Fair value recognised on acquisition €'000	Previous carrying amount €'000
Intangible assets	54,351	6,375
Property, plant and equipment	49,310	40,353
Prepaid leasehold payments	4,049	4,049
Loans to joint ventures	2,653	–
Other financial assets	2,231	2,231
Trade receivables	8,680	8,680
Short-term deposits	1,903	1,903
Cash and cash equivalents	6,734	6,734
Other current assets and receivables	2,480	2,480
	132,391	72,805
Bank loans	(41,909)	(41,909)
Other financial liabilities	(4,427)	(4,427)
Deferred income taxes	(187)	1,364
Trade payables	(3,305)	(3,305)
Related parties	(830)	(830)
Payables and other current liabilities	(7,762)	(7,762)
	(58,420)	(56,869)
	73,971	15,936
Negative goodwill on acquisition	(13,036)	
Total consideration	60,935	

The sale and purchase agreement to acquire Park Plaza Group set the consideration as a percentage of the combined company value at the time of the IPO. Due to market conditions, the placing price was set at the bottom of the range and the number of placing shares issued was reduced (compared to the published placing price range and placing shares issued in the pathfinder admission document). As a result, the value attributed to Park Plaza Group was lower than expected, resulting in negative goodwill.

The profit arising from the immediate recognition of negative goodwill in the income statement is included in the line item "other income".

The total cost of the acquisition was €60,935 thousand and comprised an issue of equity instruments and costs directly attributable to the acquisition. The Company issued 7,500,000 Ordinary shares with a fair value of £5.50 each (€8.125 at the exchange rate on date of acquisition), which was the published price of the shares of the Company at the date of acquisition.

From the date of the acquisition, the Park Plaza Group has contributed €2.9 million to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit and loss for the Group would have been as follows:

	2007 €'000
Revenues	97,058
Operating expenses	(57,677)
EBITDAR	39,381
Rental expenses	(11,007)
EBITDA	28,374
Depreciation and amortisation	(9,353)
EBIT	19,021
Finance expenses, net	(19,025)
Share in loss of associate	(40)
Other income	22,184
Profit before tax	22,140
Income taxes	923
Net profit for the year	23,063

Notes to the consolidated financial statements

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Note 4 Intangible assets

	Park Plaza management and franchise rights €'000	art'otel rights €'000	Intangible lease rights €'000	Total €'000
Cost				
Balance as of 1 January 2007	-	-	-	-
Acquisitions during the year	48,404	4,000	5,947	58,351
Balance as of 31 December 2007	48,404	4,000	5,947	58,351
Accumulated depreciation				
Balance as of 1 January 2007	-	-	-	-
Provision for amortisation	1,209	100	49	1,358
Balance as of 31 December 2007	1,209	100	49	1,358
Depreciated cost as of 31 December 2007	47,195	3,900	5,898	56,993
Depreciated cost as of 31 December 2006	-	-	-	-

Acquisition of Park Plaza management and franchise rights and lease rights (Note 3):

- Management rights – rights held by Park Plaza Group relating to the management of Park Plaza Hotels in Europe, the Middle East and North Africa. The management rights are included in the consolidated financial statements at their fair value as of the date of acquisition of Park Plaza Group by the Company, and are being amortised over a period of 20 years, based on the terms of the existing contracts and management estimation of their useful life.
- Franchise rights – relating to the brand “Park Plaza Hotels & Resorts”, are included in the consolidated financial statements at their fair value as of the date of acquisition of Park Plaza Group by the Company, and are being amortised over 20 years, based on management estimation of their useful life.
- Lease rights – intangible asset relating to the terms of operating leases that at the date of acquisition of Park Plaza Group are favourable relative to market conditions at that date. These rights are being amortised over the terms of the related leases (Note 6).

Acquisition of art'otel rights:

The Company acquired in July 2007, as part of the IPO (Note 1c), the worldwide rights to use the art'otel brand name for an unlimited period of time. The consideration amounted to €4 million and was settled by the issuance of shares of the Company to the seller. The consideration was based on the published price of the shares (£5.50 per share) on the date of acquisition. The rights are being amortised over 20 years based on management's estimation of their useful life.

Note 5 Property, plant and equipment

a. Movements in the year	Notes	Land €'000	Hotel buildings €'000	Furniture and equipment €'000	Total €'000
Cost					
Balance as of 1 January 2006		11,361	90,220	39,101	140,682
Additions during the year		2,195	8,547	2,704	13,446
Disposals during the year		-	-	(772)	(772)
Adjustment for exchange rate differences		196	1,467	733	2,396
Balance as of 31 December 2006		13,752	100,234	41,766	155,752
Accumulated depreciation					
Balance as of 1 January 2006		-	6,125	10,551	16,676
Provision for depreciation		-	1,278	3,926	5,204
Disposals during the year		-	-	(772)	(772)
Adjustment for exchange rate differences		-	38	163	201
Balance as of 31 December 2006		-	7,441	13,868	21,309
Depreciated cost as of 31 December 2006		13,752	92,793	27,898	134,443
Cost					
Balance as of 1 January 2007		13,752	100,234	41,766	155,752
Additions during the year		-	5,449	3,188	8,637
Acquisition of the Park Plaza Group	3	10,113	33,056	6,141	49,310
Disposals during the year		-	(5,554)	-	(5,554)
Adjustment for exchange rate differences		(876)	(7,165)	(3,604)	(11,645)
Balance as of 31 December 2007		22,989	126,020	47,491	196,500
Accumulated depreciation					
Balance as of 1 January 2007		-	7,441	13,868	21,309
Adjustment for exchange rate differences		-	(277)	(1,274)	(1,551)
Provision for depreciation		-	1,408	4,486	5,894
Balance as of 31 December 2007		-	8,572	17,080	25,652
Depreciated cost as of 31 December 2007		22,989	117,448	30,411	170,848
					As at 31 December
					2007
					2006
					€'000
					€'000
b. Cumulative expenditure for hotels under construction included in cost balances			1,297		50

The cumulative expenditure for hotels under construction relates to the renovation and conversion of the Victoria Monument building (located in Amsterdam) into a hotel.

c. For information regarding liens, see Note 14.

Notes to the consolidated financial statements

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Note 6 Prepaid leasehold payments

	Notes	Year ended 31 December	
		2007 €'000	2006 €'000
Cost			
Balance as of 1 January		19,440	19,025
Acquisition of the Park Plaza Group	3	4,049	-
Adjustment for exchange rate differences		(2,027)	415
Balance as of 31 December		21,462	19,440
Accumulated depreciation			
Balance as of 1 January		762	586
Provision for amortisation		182	167
Adjustment for exchange rate differences		(103)	9
Balance as of 31 December		841	762
Depreciated cost as of 31 December		20,621	18,678

The prepaid leasehold payments relate to the following lease agreements:

- a. In September 2000, Grandis Netherlands Holding B.V., a jointly controlled company, acquired a land leasehold interest expiring in 2095, of the Park Plaza Sherlock Holmes Hotel, London, for a sum of £10 million (€13.6 million) plus an initial annual rent of £400 thousand (€545 thousand) (subject to “open market value” rent review every 5 years). The company has an option to extend the lease to a total of 125 years, expiring in 2121. The company also has an option to terminate the lease in 2059.
- b. In May 2000, Riverbank Hotel Holding B.V., a jointly controlled company, acquired a land leasehold interest expiring in 2125, of the Park Plaza Riverbank Hotel, situated on the Albert Embankment, London, for a sum of £18 million (€24.5 million) plus an initial annual rent of £500 thousand (€681 thousand), subject to rent review every five years.
- c. Utrecht Victoria Hotel B.V., a jointly controlled company, has entered into a land lease agreement for a period of 50 years ending in 2038, for a lump sum payment of €448 thousand at commencement of the lease.
- d. The acquisition of the Park Plaza Group relates to the purchase of an additional 10% interest in Grandis Netherlands Holding B.V. and Riverbank Hotel Holding B.V. (jointly controlled companies).

Note 7 Investment in an associate

- a. The Group owns 33.3% of the share capital of Marlbray Ltd. Marlbray owns land located near the Waterloo railway station in London, which forms part of the Park Plaza Westminster Bridge London project. Marlbray is developing a 1,037 room apart-hotel. The rooms or apartments are being pre-sold on an individual basis to private investors. The carrying value of the investment includes the excess of cost over the fair value of the net assets acquired in the amount of €9.1 million which was allocated to land (see also Note 14 and Note 30).

Marlbray commenced construction of the apart-hotel in May 2007, with expected completion in May 2010.

- b. Composition of investment and movement:

	As at 31 December	
	2007 €'000	2006 €'000
Balance at the beginning of the year	10,028	9,723
Share of profit/(loss)	(40)	85
Translation differences	(879)	220
Balance at the end of the year	9,109	10,028

Share of the associate's balance sheet:

	As at 31 December	
	2007 €'000	2006 €'000
Current assets	1,141	20,656
Non-current assets	41,423	9,932
Current liabilities	(1,147)	(20,560)
Non-current liabilities	(32,308)	-
Net assets	9,109	10,028
Share of the associate's revenue and profit		
Revenue	-	-
Profit/(loss)	(40)	85

Note 8 Other financial assets

	Notes	As at 31 December	
		2007 €'000	2006 €'000
Derivative financial instruments	29	3,707	4,346

Notes to the consolidated financial statements

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Note 9 Trade receivables

a. Composition

	As at 31 December	
	2007 €'000	2006 €'000
Trade receivables	10,930	3,432
Less – allowance for doubtful debts	(296)	(159)
	10,634	3,273

Trade receivables are non-interest-bearing and are generally on 30 days' terms.

b. Movements in the allowance for doubtful accounts were as follows:

At January 1, 2006	138
Charge for the year	21
At December 31, 2006	159
Charge for the year	60
Acquisition of the Park Plaza Group	77
At December 31, 2007	296

c. As at December 31, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			< 30 days	30 – 60 days	60 – 90 days	> 90 day
2007	10,634	1,716	2,584	1,699	836	3,799
2006	3,273	589	1,458	831	338	57

Note 10 Other receivables and prepayments

	As at 31 December	
	2007 €'000	2006 €'000
Prepaid expenses	1,126	670
VAT and taxes	191	239
Related parties	1,291	530
Rent security deposit	842	–
Others	711	135
	4,161	1,574

Note 11 Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average interest rate at 31 December 2007 was 6.17%.

Note 12 Issued capital and reserves

a. Share capital

The authorised share capital of the Company is represented by an unlimited number of Ordinary Shares with no par value.

At 31 December 2007, the number of Ordinary shares outstanding was 40,942,292.

b. Nature and purpose of reserves:

Hedging reserve

This reserve is comprised of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

The net loss on cash flow hedges during the year, recognised in equity was €2,590 thousand (2006: profit of €4,955 thousand).

Currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

c. Dividends paid:

	2007 €'000	2006 €'000
Declared and paid during the year (€0.86 per share)	15,000	-

Notes to the consolidated financial statements

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Note 13 Share-based payments

During 2007 the Company established a Share Option Plan with the following principal terms:

- The Plan has two types of options: Option A and Option B. Both options have an exercise price per share of £5.50 (€7.50). Option A vests over a period of three years from date of grant and Option B vests at the end of three years from grant date. Unexercised options expire 10 years after the date of grant.
- At any time, the total number of shares issued and/or available for grant (in a ten-year period) under the Share Option Plan or under any other employee share scheme which the Company may establish in the future may not exceed 5% of the Company's issued share capital at that time. For the purpose of this calculation, any option granted under the Share Option Plan immediately following Admission to the AIM in July 2007 are disregarded.

The expense arising from equity-settled share based payment transactions during 2007 is €68 thousand (2006: nil).

Movements in the year

The following table illustrates the number (No.) and exercise prices (EP) of, and movements in, share options during 2007 (in 2006, no option plan was in place).

	No. of options	EP £
Outstanding at 1 January 2007	-	-
Options A granted during the year	296,634	5.50 (€7.50)
Options B granted during the year	90,660	5.50 (€7.50)
Outstanding at 31 December 2007	387,294	5.50 (€7.50)
Exercisable at 31 December 2007	-	-

The weighted average remaining contractual life for the share options outstanding as at 31 December 2007 is 9.5 years.

The weighted average fair value of the options granted in 2007 was £0.51 (€0.70).

The following table lists the inputs to the model used for the Option plan:

	2007
Dividend yield (%)	0
Expected volatility (%)	30.00
Risk-free interest rate	5.04
Expected life of options (years)	6.00
Weighted average share price	£3.50 (€4.77)
Model used	Black Scholes

Note 14 Commitments and pledges

a. Pledges, collateral and securities:

Substantially all of the Group's assets and all of the rights connected or related to the ownership of the assets (including shares of subsidiaries) are pledged in favour of banks and financial institutions as a security for loans received. For most of the loans, specific assets are pledged as the sole security provided. For certain loans, the Group companies are required to comply with certain financial and operating covenants. As of 31 December 2007, these companies are in compliance with the covenants, apart from the NIBC facility (see below).

1. On 3 March 2006, three jointly controlled companies, Riverbank Hotel Holding B.V., Victoria London Hotel Holding B.V. and Grandis Netherlands Holding B.V. ("Holding Companies") entered into a loan agreement together with Park Plaza Hotels Europe Holding B.V. ("Park Plaza") as joint and several borrowers ("Borrowers") and Goldman Sachs International Bank as lender ("Lender") for the grant of a non recourse refinancing loan in the amount of £195 million (€266 million) ("the Loan"). The loan term ends on 3 March 2011 or, if the Borrowers have exercised a Term-out Option, 3 March 2013.

The Borrowers have taken upon themselves to comply with financial and operating covenants. As of 31 December 2007, the Borrowers are in compliance with the covenants.

In the event of cash distributions deriving from the sale, disposal or refinancing of the Holding Companies' hotels or upon repayment of the loan ("Transactions"), the Borrowers shall pay to the Lender an amount ("exit fee") equivalent to 15% of the difference between the market value of the hotels at the Transaction date and the base value of the Hotels for the purposes of the Loan. The payment amortisation schedule of the loan includes an amount of €3.7 million in respect of the exit fee.

2. On 1 October 2004, two jointly controlled companies, Utrecht Victoria Hotel B.V. and Victoria Hotel C.V., and a wholly-owned company, The Mandarin Hotel B.V., as borrowers and guarantors entered into an €80 million term loan facility with Merrill Lynch International. The loan term ends on 30 September 2009.

The Borrowers have taken upon themselves to comply with a number of financial and operating covenants. As of 31 December 2007, the Borrowers are in compliance with the covenants.

3. On 25 January 2006, three wholly-owned companies, Park Vondel Hotel Real Estate B.V. ("PHRE") as Borrower, Park Vondel Hotel Holding B.V. ("PHH") and Park Vondel Hotel Management B.V. ("PHM") as Guarantors entered into a €18.5 million secured term facility agreement with NIBC Bank N.V. ("NIBC") as Lender.

The loan consists of two parts: Facility A, to an aggregate of €17.5 million is to be applied by the Borrower for the purchase of the Park Plaza Vondelpark Amsterdam and Facility B, to an aggregate of €1 million, shall be applied towards payment of renovation costs. The loan term ends on 25 January 2013.

The Borrowers have taken upon themselves to comply with a number of financial covenants. As of 31 December 2007, the Borrowers did not meet some of the financial covenants and, as a result, the loan has been reclassified to current liabilities.

4. On 14 December 2006, a jointly controlled company, Victoria Monument B.V. (the "Borrower") and Bank Hapoalim B.M. (the "Lender") entered into €14 million facility agreement (the "Bank Hapoalim Facility"). The facility was made available to finance the purchase of a building located adjacent to the Park Plaza Victoria Amsterdam hotel (the "Property"). The facility is repayable in full on 30 November 2008.

The Borrowers have taken upon themselves to comply with a number of financial and operating covenants. As of 31 December 2007, the Borrowers are in compliance with the covenants.

5. As part of the undertakings under the Bank of Scotland loan agreement with Hotel Leeds Holding B.V. ("HLH") and Hotel Nottingham Holding B.V. ("HNNH"), the Company entered into a subordination agreement, under which the Group's loans to HLH and HNNH are subordinated to those of the Bank.

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b. Commitments:

1. Management and franchise agreements:

- (i) The Group entered into several management agreements with hotels located in the Netherlands, Belgium and the U.K., (“the hotels”) in consideration for an annual fee of 2% of the hotels’ gross room revenues, as well as 7% to 10% of the gross operating profit. The Group is also partially reimbursed for certain portions of the expenses incurred, up to 3% of the gross operating profit. The management agreements are for periods of 15 to 20 years. The Group is vested with ownership rights at a rate of 50% or 55%, as the case may be, in several of these hotels.
- (ii) Within the terms of the management agreements, the hotels were granted by the Group a sub-franchise licence allowing them the utilisation, throughout the term of the management agreements, of the “Park Plaza Hotels & Resorts” name, in consideration for royalties of a certain percentage of the gross room revenues.
- (iii) The Group entered into a Territorial Licence Agreement dated 30 September 2002 (the “Master Agreement”) with Carlson Hotels Worldwide, Inc. (“Carlson”). Under the Master Agreement, the Group, amongst other rights, is granted an exclusive licence to use the brand, “Park Plaza Hotels & Resorts” in 56 territories throughout Europe, the Middle East and North Africa in perpetuity (the “Territory”). The Master Agreement also allows the company to use, and licence others to use, the Carlson Systems within the Territory which right includes the right to utilise the System’s international marketing and reservations facilities and to receive other promotional assistance. The Group pays Carlson a fee based on a percentage of the hotels’ gross room revenue

2. Lease agreements:

- (i) The Group has entered into several operating lease agreements for the rental of land. Certain of the leases are subject to periodic rent reviews. The future minimum rental payments under non-cancellable leases are as follows:

	2007 €'000	2006 €'000
Within one year	942	845
After one year but not more than 5 years	3,767	3,379
More than 5 years	88,055	78,829
	92,764	83,053

- (ii) The Group operates hotels under various lease agreements in which the building, fixtures, furniture and equipment are leased. These leases have an average life of between 10 to 20 years, with renewal options. The lease payments are the higher between a minimum agreed amount and a percentage of the hotel turnover.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2007 €'000	2006 €'000
Within one year	9,149	–
After one year but not more than 5 years	36,623	–
More than 5 years	147,309	–
	193,081	–

c. Guarantees:

1. In June 2005, Euro Sea Hotels N.V. (a wholly-owned subsidiary of the Company) acquired a 33.33% interest in Marlbray Ltd. from the founder shareholders (see also Note 7).

One of the founder shareholders (Galliard Homes Limited), entered into a Minimum Annual Yield Agreement with each of the apart-hotel units’ purchasers, which guarantees to the purchasers a 6% annual yield on their investment including deposits for a five-year period from completion of the sale. Completion is expected in 2010. Galliard Homes Limited may face under these guarantees a shortfall equal to the difference between the minimum guarantee and the apart-hotel net operating profit.

Although the Group is not a party to these agreements, as part of the Supplemental Shareholders' Agreement, Euro Sea Hotels N.V. ("Euro Sea") agreed to indemnify (subject to certain limitations) this shareholder for one-third of any liability arising under this guarantee.

As at 31 December 2007, more than 75% of the apart-hotel units had been pre-sold or contracted to pre-sell. Total sales proceeds amount to approximately £231 million (€315 million) resulting in approximately £13.9 million (€18.9 million) of future committed annual yield guarantee.

As at 31 December 2007, the total amount of deposits received for the pre-sold contracts is £35 million, and accordingly, the maximum amount of the Group's yield guarantee is £0.7 million (€1 million). The shortfall between the amount guaranteed and the actual yield on the deposits is immaterial as at 31 December 2007.

2. On 19 April 2007, Marlbray (the "Borrower") entered into a £221 million (€301 million) facility agreement (the "Marlbray Facility Agreement") with Bank Hapoalim B.M. (the "Lender").

The Loan drawn under the Marlbray Facility Agreement is repayable in full on the earlier of: (a) 30 business days of the date of Practical Completion of building (Practical Completion takes place when the last certificate required in connection with practical completion of the project (see 1. above) and the costs of such certificate have been paid); and (b) the Final Maturity Date, being four years from the date of the Marlbray Facility Agreement. The interest rate on the Loan is LIBOR plus 2.15%.

As part of the loan agreement, the Lender was provided with Cost Overrun and Completion Guarantees given by the subsidiary, Euro Sea Hotels N.V., with a maximum amount payable of £6 million (€8.2 million), and a Sponsor Guarantee for the entire amount of the Loan – given jointly and severally by Euro Sea Hotels N.V. and its partners.

In addition the borrowers have taken upon themselves to comply with a number of financial covenants as specified in the loan agreement. As at 31 December 2007, the Borrowers are in compliance with the covenants.

Note 15 Bank borrowings

- a. Composed as follows:

Current:

	Average interest rate	As at 31 December	
		2007 €'000	2006 €'000
Bank loans	3 month EURIBOR + 1.5%	6,999	6,953
Current maturities of long-term bank loans		21,657	2,161
		28,656	9,114

Non-current:

	Average interest rate	As at 31 December	
		2007 €'000	2006 €'000
Loans in € ¹	¹	61,494	43,472
Loans in GBP	7.72	138,075	127,709
		199,569	171,181
Less – current maturities		(21,657)	(2,161)
		177,912	169,020

For details of interest rate swap, see Note 29b.

¹ Loan of €42,783 thousand bears interest at the rate of Euribor plus margin of 1.5%, which has been converted by swap agreements to a fixed annual rate of 5.11%. Loan of €18,711 thousand bears interest at a rate of Euribor plus margin of 1.65%, of which 90% has been converted by swap agreements to fixed interest payments per quarter for seven years at a rate varying from 2.84% to 3.91% for periods up until 2012.

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b. The loans are repayable in future years, as follows:

	As at 31 December	
	2007 €'000	2006 €'000
1. Loan in €		
First year – current maturities	19,537	689
Second year	41,957	826
Third year	–	41,957
	61,494	43,472
2. Loan in GBP		
First year – current maturities	2,120	1,962
Second year	2,120	1,962
Third year	2,120	1,962
Fourth year	2,120	1,962
Fifth year	2,120	1,962
Thereafter	127,475	117,899
	138,075	127,709

For collateral, securities and pledges, see Note 14.

Note 16 Other financial liabilities

	As at 31 December	
	2007 €'000	2006 €'000
Loans from other shareholders in joint ventures ¹	2,170	–
Other	437	618
	2,607	618

¹ The loans bear interest at the annual rate of 6.125%. The loans' term is 7 years, commencing 1 January 2003.

Note 17 Other payables and accruals

	As at 31 December	
	2007 €'000	2006 €'000
Employees	968	603
VAT and taxes	2,037	1,770
Accrued interest	1,879	1,332
Accrued expenses	6,363	4,845
Accrued rent	1,984	–
Provision for impairment	–	1,261
Related parties ¹	2,437	14
	15,668	9,825

¹ The amount owed to related parties bears no interest and has no repayment date.

Note 18 Revenues

	Year ended 31 December	
	2007 €'000	2006 €'000
Hotel operations in the Netherlands	20,434	16,564
Hotel operations in the U.K.	34,855	28,891
Hotel operations in Germany	15,523	-
Management fee	2,296	-
Franchise fee	1,393	-
Construction consulting services ¹	-	3,280
Other	538	117
	75,039	48,852

¹ See Note 26d.

Note 19 Operating expenses

	Year ended 31 December	
	2007 €'000	2006 €'000
Salaries and related expenses	20,424	12,625
Department expenses	13,717	12,299
Food and beverage	4,054	2,743
Franchise fees	1,801	-
Management fees	1,105	2,241
Provision for impairment	-	1,404
Insurance	1,910	1,979
Other expenses	1,492	2,479
	44,503	35,770

Note 20 Financial expenses

	Year ended 31 December	
	2007 €'000	2006 €'000
Interest on bank loans	15,869	13,024
Loan facility amendment fee	2,914	-
Interest and other finance expenses to related parties	1,957	1,467
Other	468	-
	21,208	14,491
Less – borrowing costs capitalised	377	-
	20,831	14,491

Notes to the consolidated financial statements

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Note 21 Financial income

	Year ended 31 December	
	2007 €'000	2006 €'000
Interest on bank deposits	3,335	-
Interest from related parties	370	625
Other	77	696
	3,782	1,321

Note 22 Other income

	Notes	Year ended 31 December	
		2007 €'000	2006 €'000
Negative goodwill upon acquisition of Park Plaza Group	3	13,036	-
Gain on sale of Andrassy 25 Kft	27	9,148	-
		22,184	-

Note 23 Income taxes, net

a. Taxes on income (tax benefit) included in the income statements:

	Year ended 31 December	
	2007 €'000	2006 €'000
Current taxes	263	894
Taxes in respect of previous years	(966)	506
Deferred taxes	682	155
	(21)	1,555

b. The following are the major deferred tax liabilities and assets recognised by the Group and changes therein during the period:

	Tax loss carry- forward €'000	Property, plant and equipment €'000	Other €'000	Total €'000
Balance as at 1 January 2006	89	(1,310)	-	(1,221)
Prior year adjustment	-	184	-	184
Amounts included in income statement	(89)	(66)	-	(155)
Balance as at 31 December 2006	-	(1,192)	-	(1,192)
Acquisition of Park Plaza Group	1,909	(1,551)	(545)	(187)
Amounts included in income statement	(800)	93	25	(682)
Balance as at 31 December 2007	1,109	(2,650)	(520)	(2,061)

- c. Reconciliation between tax expense and the product of accounting profit multiplied by the Group's tax rate is as follows:

	Year ended 31 December	
	2007 €'000	2006 €'000
Profit/(loss) before income taxes	22,277	(6,348)
Expected tax at the Netherlands tax rate of 25.5% (2006: in the Netherlands 29.6%)	5,681	(1,872)
Adjustments in respect of:		
Income at 0% tax rate	(1,619)	-
Taxes of previous years	(966)	506
Non-deductible expenses	364	243
Non-taxable income	(6,481)	(26)
Tax losses for which no deferred tax was recorded	3,164	2,730
Other	(164)	(26)
Income tax (benefit)/expense reported in the statement of operations	(21)	1,555

- d. Tax laws applicable to the Group companies:

1. The Company is subject to taxation under the law of Guernsey. The Company is expected to qualify for exempt status which will result in no Guernsey taxation upon income it receives, including interest and dividends received, and capital gains from the disposal of investments. Exempt status is achieved by application. Application is made to the Administrator of Income Tax in Guernsey for confirmation that the Company and its subsidiaries are eligible for exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. With effect from 01 January 2008, Guernsey has abolished the exempt company regime and the standard rate of income tax for companies has moved from 20% to 0%. The Company is therefore now taxed at the standard rate of 0%.
 2. Foreign subsidiaries are subject to income taxes in their country of domicile in respect of their income.
- e. Taxation in the Netherlands: corporate income tax rate for the year 2007 is 25.5% (2006: 29.6%).
- f. Taxation in the U.K.: corporate income tax rate for the year 2007 for domicile companies is 30% (2006: 30.0%) and for non-domicile 22.0% (2006: 22.0%).
- g. Taxation in Germany: corporate income tax rate and business rates for the year 2007 is 44.38% (2006: 44.38%).
- h. Taxation in Hungary: corporate income tax rate for the year 2007 is 18.0% (2006: 18.0%).
- i. Final tax assessments:
In 2006, Euro Sea Hotels N.V. reached an agreement with the Dutch tax authorities regarding the tax years 1999-2002. Based on the agreement, income included in the tax returns for those years will be increased. This resulted in additional tax expense of approximately €345 thousand.
- j. Losses carried forward for tax purposes:
The Company and its subsidiaries have carry forward losses for tax purposes estimated at approximately €93.4 million (2006 €15.7 million). The Group did not provide for deferred taxes in respect of losses amounting to €90.8 million.

Notes to the consolidated financial statements

continued

Note 24 Earnings per share

The following reflects the income and share data used in the basic earnings per share computations

	Year ended 31 December	
	2007 €'000	2006 €'000
Profit/(loss)	22,298	(7,903)
Weighted average number of Ordinary shares outstanding	28,611	17,500

Potentially dilutive instruments (share options – see Note 13) have not been included in the calculation of diluted earnings per share because they are anti-dilutive for all periods presented.

Note 25 Segments

The segment reporting format is determined to be geographical segments as the Group's risks and rates of return are affected predominantly by the location of the Group's hotels.

	Year ended 31 December 2007					
	The Netherlands €'000	Germany €'000	U.K. €'000	Hungary €'000	Adjustments and eliminations €'000	Consolidated €'000
Revenue						
Third party	20,903	12,857	34,867	2,723	3,689	75,039
Inter-segment	-	-	-	-	-	-
Total revenue	20,903	12,857	34,867	2,723	3,689	75,039
Results						
Depreciation and amortisation	1,640	67	6,337	7	1,309	9,360
Share of profit of an associate	-	-	(40)	-	-	(40)
Segment profit	7,608	250	(4,463)	146	18,736	22,277
Assets						
Investment in associate	-	-	9,109	-	-	9,109
Capital expenditure	3,237	4,500	900	-	4,000	12,637
Operating assets	75,861	11,772	153,045	1,014	154,981	396,673
Operating liabilities	77,960	1,537	146,613	864	4,432	231,406

	Year ended 31 December 2006				
	The Netherlands €'000	U.K. €'000	Hungary €'000	Adjustments and eliminations €'000	Consolidated €'000
Revenue					
Third party	16,564	28,919	-	3,369	48,852
Inter-segment	-	-	-	-	-
Total revenue	16,564	28,919	-	3,369	48,852
Results					
Depreciation and amortisation	980	4,200	-	640	5,820
Share of profit of an associate	-	85	-	-	85
Segment profit/(loss)	1,378	(6,806)	(26)	(894)	(6,348)
Assets					
Investment in associate	-	10,028	-	-	10,028
Capital expenditure	8,948	4,417	-	81	13,446
Operating assets	33,535	141,885	5,439	556	181,415
Operating liabilities	55,785	136,293	830	1,764	194,672

Business segments

Revenues from external customers:

	2007 €'000	2006 €'000
Hotel operations	71,350	48,852
Management and franchise fees	3,689	-
Total	75,039	48,852

Operating assets:

	2007 €'000	2006 €'000
Hotel operations	229,391	181,415
Management and franchise fees	63,361	-
Adjustments and eliminations	103,921	-
Total	396,673	181,415

Capital expenditures:

	2007 €'000	2006 €'000
Hotel operations	8,427	13,446
Management and franchise fees	4,210	-
Total	12,637	13,446

Notes to the consolidated financial statements

continued

Note 26 Related parties

a. Balances with related parties¹:

	As at 31 December	
	2007 €'000	2006 €'000
Short-term receivables	1,291	530
Other payables	2,437	14

b. Transactions with related parties¹:

	Year ended 31 December	
	2007 €'000	2006 €'000
Interest and other financial expense	1,957	1,631
Interest income	370	625

¹ The following balances and transactions are with shareholders and companies controlled by shareholders.

c. Compensation of key management personnel (Executive and non-Executive Board):

	Year ended 31 December	
	2007 €'000	2006 €'000
Short-term employee benefits	828	-
Share-based payments	23	-
Total compensation	851	-

Director's interests in employee share incentive plan

Share options held by executive members of the Board of Directors to purchase Ordinary shares have the following expiry dates and exercises prices:

Issue date	Expiry date	Exercise price	2007 number	2006 number
2007	2008	£5.50 (€7.50)	30,909	-
2007	2009	£5.50 (€7.50)	30,909	-
2007	2010	£5.50 (€7.50)	61,818	-

Non-shares options have been granted to non-executive members of the Board under this scheme.

- d. Effective 1 October 2006, Euro Sea Hotels N.V. sold its holdings in a subsidiary WW Gear Construction Limited ("WW Gear") to one of the shareholders of the Company for a consideration equal to the carrying value of WW Gear. As a result, the consolidation of WW Gear ceased as of 30 September 2006.

Note 27 Jointly controlled entities

The Group has an interest in jointly controlled entities (Appendix D) which are engaged in the development, construction, management and operation of hotels. The share of the assets, liabilities, income and expenses of the jointly controlled entities, which are included in the consolidated financial statements are as follows:

	As at 31 December	
	2007 €'000	2006 €'000
Non-current assets	180,846	182,738
Current assets	11,993	11,729
	192,839	194,467
Non-current liabilities	(192,791)	(176,708)
Current liabilities	(23,871)	(20,282)
	(23,823)	(2,523)

	Year ended 31 December	
	2007 €'000	2006 €'000
Revenues	51,930	39,237
Operating expenses	(33,740)	(28,339)
EBITDAR	18,190	10,898
Rental expenses	(1,157)	847
EBITDA	17,033	10,051
Depreciation and amortisation	(4,731)	(4,950)
EBIT	12,302	5,101
Financial expenses, net	(16,259)	(13,033)
Loss before income taxes	(3,957)	(7,932)
Income taxes	265	291
Loss for the year	(4,222)	(8,223)

Disposal in 2007

In 2007 the Group sold its 50% joint venture interest in Andrásy 25 Kft. (Hungary) (50%) for a consideration of €14.9 million (including repayment of loan of €5.3 million). Andrásy 25 Kft. intended to convert the existing building, situated on the property known as 25 Andrásy St., into a hotel. Andrásy 25 Kft. had no further activities and generated no revenue.

The gain on the sale amounted to €9.1 million.

The assets and liabilities of Andrásy 25 Kft. at date of sale were as follows:

	€'000
Property	5,579
Other current assets	307
	5,886
Loan from shareholder (Euro Sea Hotels N.V.)	(5,313)
Other current liabilities	(104)
Net assets at the date of sale	469

Notes to the consolidated financial statements

continued

Note 28 Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swap contracts. The purpose is to manage the interest rate risk arising from the Group's operations and its sources of finance (see Note 29).

It is, and has been throughout the years under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees on policies for managing each of these risks which are summarised below. The Group's accounting policies in relation to derivatives are set out in Note 2.

Interest rate risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using fixed rate debt. To manage its interest costs the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. After taking into account the effect of interest rate swaps, approximately 97% (2006 – 96%) of the Group's borrowings are at a fixed rate of interest. The only variable interest rate debt relates to a short term loan for the renovation of a hotel building. The interest expense on this loan is capitalised during the construction period. For this reason the Group's profit is not sensitive to possible change in interest rates. Possible changes in interest rates do affect the Group equity as the fair value of the swap agreements changes with interest rate changes.

The fair value of the swaps of the Group (see Note 29b) as of 31 December, 2007 amounts to €3.7 million. The movements in the value have been accounted for in equity. The Group performed a sensitivity analysis for the effect of market interest rate changes on the fair value of the swaps. Based on this sensitivity analysis calculation the management expects that with an increase/decrease of the three months market interest rate with 50 bps the fair value of the swaps, and the hedge reserve in equity, would increase/decrease with €3.7 million.

The Group uses short-term deposits (weekly and monthly) to maximise its returns on the cash proceeds from the IPO. The management expects that the average outstanding deposit balance for 2008 will amount to €50 million. The interest income is subject to changes in the interest rates. In 2007 the average received interest rate was 6.2%. Should the interest rate increase/decrease by an average of 10% in 2008, the profit of the Group would increase/decrease by €309 thousand.

Foreign currency risk

As a result of significant investment operations in the United Kingdom, the Group's balance sheet is susceptible to movements in the GBP/euro exchange rates. The effect of these movements are reflected in the foreign translation reserve in equity. The Group did not seek to mitigate the effect of its structural currency exposure by borrowing in GBP. As at 31 December 2007, 69% (2006 – 75%) of the Group's borrowing are in GBP.

Credit risk

The Group trades only with recognised, credit worthy third parties. In addition, the receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised third parties, there is no requirement for collateral.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group's policy is to arrange medium-term bank facilities to finance its construction operation and then to convert them into long-term borrowings.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2007 and 2006 based on contractual undiscounted payments.

	Year ended 31 December 2007				
	Less than 3 months €'000	3 to 12 months €'000	1 to 5 years €'000	> 5 years €'000	Total €'000
Interest bearing loans and borrowings	4,477	38,126	95,541	131,554	269,698
Other financial liabilities	-	-	2,601	272	2,873
Trade and other payables	12,226	7,944	-	-	20,170
Other liabilities	-	-	-	2,061	2,061
	16,703	46,070	98,142	133,887	294,802

	Year ended 31 December 2006				
	Less than 3 months €'000	3 to 12 months €'000	1 to 5 years €'000	> 5 years €'000	Total €'000
Interest bearing loans and borrowings	3,723	18,066	95,328	131,516	248,633
Other financial liabilities	-	-	403	215	618
Trade and other payables	10,319	4,409	-	-	14,728
Other liabilities	-	-	-	1,192	1,192
	14,042	22,475	95,731	132,923	265,171

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 60% and 70%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity less the hedging reserve.

	2007 €'000	2006 €'000
Interest bearing loans and borrowings	206,568	178,314
Less - cash and cash equivalents	(120,022)	(7,233)
Net debt	86,546	171,081
Equity	165,267	(13,257)
Hedging reserve	(1,759)	(4,349)
Total capital	163,508	(17,606)
Capital and net debt	250,054	153,475
Gearing ratio	34.6%	111.5%

Note 29 Financial instruments

a. Fair value of financial instruments:

The carrying amounts of cash and cash equivalents, short-term deposits, trade receivables, other receivables and prepayments, short-term bank borrowings, other payables and accruals, trade payables and variable rate loans approximate their fair value.

b. Derivative financial instruments:

1. The majority of the Group's borrowings are at variable interest rates. To limit its exposure to changes in the rates of the LIBOR on its cash flows and interest expense the Group has entered into various interest rate swaps, as described below.

2. In 2004, three subsidiaries of the Company entered into an interest swap agreement with Merrill Lynch International. According to the agreement, the subsidiary swapped the floating interest rate of three months LIBOR on a loan in the amount of €43.5 million, received from Merrill Lynch International, with a fixed interest rate of 3.41% for a period of 5 years effective from October 2003 and maturing in October 2008.

The swap is presented at its fair value, as prescribed for such transactions in IAS 39, and changes in the fair value are reflected in the shareholders' equity, net of tax. As of 31 December 2007, the fair value amounted to an asset of €0.7 million (31 December 2006 – asset of €0.6 million).

3. In 2006, three jointly controlled companies of the Company entered into an interest rate swap hedge transaction, according to which the companies swapped the variable interest rate of three months LIBOR +3% on a loan in the amount of €138.1 million received from Goldman Sachs International Bank with fixed interest rate of 7.72% for a period until 2011.

The fair value of the swap as of 31 December 2007 is estimated at €2.5 million (2006: 3.7 million).

4. In 2007 a subsidiary entered into an interest rate swap according to which the subsidiary swapped the variable interest rate of 3 month Euribor on a loan in the amount of €15.75 million received from NIBC with fixed interest payments at rates varying from 2.84% to 3.91% for periods up to 2012.

As at 31 December 2007, the fair value of the swap is estimated at €0.5 million.

5. As at 31 December 2007, Group companies have no bank facilities.

Note 30 Events after the balance sheet date

a. Acquisition of Park Plaza Westminster Bridge London hotel:

In February 2008, Euro Sea Hotels N.V., a wholly owned subsidiary of the company, acquired 67% of the shares of Marlbray Ltd., increasing the Group's ownership interest in Marlbray to 100%. Marlbray is the owner of the Park Plaza Westminster Bridge London project (see Note 7).

The total consideration for the 67% interest acquired, in the amount of €16.71 million, consists of £10.27 million (€14.0 million) in cash and the issue of 735,000 Ordinary shares of the Company (490,000 of which will be issued to the sellers of Marlbray). The market price of the shares on the date of acquisition was £3.16 (€4.31). As part of the consideration, the Company is funding the repayment of approximately £472 thousand (€643 thousand) of loans made to Marlbray by the selling shareholders and a fee payable by Marlbray to Irish Nationwide Building Society, (which provided finance for the early stages of the project), which will be satisfied by approximately £3.2 million (€4.4 million) in cash and the issue of 245,000 Ordinary shares. The Company is presented in the process of evaluating the assets and liabilities acquired and the determination of the goodwill, if any.

b. Joint venture with Aldersgate Investments Limited:

In March 2008, Apex Holdings (U.K.) Limited ("Apex"), a wholly owned subsidiary of the Company, acquired 50% of the issued share capital of Aspirations Limited ("Aspirations"), the owner of a site (Hoxton, London) on which the Company plans to develop a new apart-hotel under the "art'otel" brand. The consideration for the 50% interest in Aspirations was €3 million in cash. In addition, Apex advanced a loan of approximately €8 million to Aspirations. Following completion, Aspirations will be indebted to each of its shareholders for the same amount and on the same terms. The consideration for the shares and the loan from Apex to Aspirations was funded by the Company from its existing cash resources. Park Plaza Hotels Europe B.V. (a subsidiary of the Company) has entered into an agreement with Aspirations to operate and manage the hotel for an initial term of 20 years from the opening of the hotel.

c. Investments in WM/DMREF Bora B.V.:

In April 2008, Euro Sea Hotels N.V., a wholly owned subsidiary of the Company, acquired 20% of the shares of WM/DMREF Bora B.V. ("Bora") from a group of real estate investment funds. As part of the transaction, the Company is also acquiring 20% of the debt currently provided to Bora by its shareholders. The total consideration of the acquisition, including the debt being acquired, is €22.3 million, which was funded by the Company from its existing cash resources.

Bora currently owns approximately 74% of Arenaturist, a public company listed on the Zagreb (Croatia) Stock Exchange, and 100% of three related private companies. These companies together own eight hotels and five apartment complexes in and around Pula on the Istrian coast of Croatia.

d. New framework management agreement:

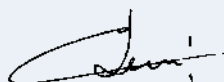
Park Plaza Hotels Europe B.V. (PPHE), a wholly owned subsidiary of the Company, has entered into an agreement to operate up to 20 new hotels (with a total of approximately 3,500 to 4,000 rooms) in Russia under 20-year management contracts. PPHE will also provide technical consulting services, including assisting in the identification and planning of the hotels.

Company balance sheet

	Note	As at 31 December, 2007 €'000
Assets		
Non-current assets		
Investment in subsidiaries	2	107,753
Loans to group companies	3	193,213
		300,966
Current assets		
Other receivables and prepayments	4	404
Cash and cash equivalents	5	103,517
		103,921
Total assets		404,887
Equity and liabilities		
Equity		
Issued capital		-
Share premium		232,879
Currency translation reserve		(31,376)
Accumulated surplus		202,527
Total equity		404,030
Current liabilities		
Group companies payable	6	455
Other payables and accruals	7	402
Total liabilities		857
Total equity and liabilities		404,887

The accompanying notes are an integral part of the company financial statements.

Adopted on: 15 May 2008.



Chen Moravsky, Chief Financial Officer.



Boris Ivesha, President and Chief Executive Officer.

Company income statement

	For the period ended 31 December 2007 ¹	
	Note	€'000
Revenues		–
Operating expenses		(409)
EBIT		(409)
Financial expense	8	(2,914)
Financial income	9	25,180
Dividend income	10	180,670
Profit before tax		202,527
Income taxes (the benefit)		–
Profit for the period		202,527

¹ See Note 1.

The accompanying notes are an integral part of the company financial statements.

Company statement of changes in equity

	Share capital €'000	Share premium €'000	Translation reserve €'000	Accumulated surplus €'000	Total equity €'000
At incorporation on 14 June 2007	-	-	-	-	-
Issue of shares to acquire Park Plaza Cooperatief U.A.	-	107,771	-	-	107,771
Issue of shares to acquire Golden Wall Ltd.	-	4,550	-	-	4,550
Issue of shares upon IPO on AIM	-	125,508	-	-	125,508
IPO expenses	-	(9,018)	-	-	(9,018)
Acquisition of art'otel rights	-	4,000	-	-	4,000
Share-based payment	-	68	-	-	68
Movement translation reserve	-	-	(31,376)	-	(31,376)
Result for the period	-	-	-	202,527	202,527
At 31 December 2007	-	232,879	(31,376)	202,527	404,030

The accompanying notes are an integral part of the company financial statements.

Company statement of cash flow

For the period ended 31 December ¹ 2007	
€'000	
Cash flows from operating activities	
Profit/(loss) for the period	202,527
Adjustment to reconcile profit/(loss) to cash provided by operating activities (a)	(204,789)
Net cash provided by operating activities	(2,262)
Cash flows from investing activities	
Loans to related parties	(3,540)
Net cash provided by/(used in) investing activities	(3,540)
Cash flows from financing activities	
Proceeds from issuance of new shares	116,490
Net cash provided by financing activities	116,490
Increase/(decrease) in cash and cash equivalents	110,688
Net foreign exchange differences	(7,171)
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	103,517

¹ See Note 1.

The accompanying notes are an integral part of the company financial statements.

Company statement of cash flow

continued

	For the period ended 31 December ¹ 2007 €'000
(a) Adjustment to reconcile profit/(loss) to net cash provided by operating activities	
Changes in operating assets and liabilities	
Increase in loans to related parties	(204,786)
Increase in trade and other receivables	(428)
Increase in trade and other payables	425
	(204,789)
(b) Supplemental disclosure of cash flows	
Cash received during the year	
Interest	3,076
(c) Significant non-cash transactions	
Shares issued to acquire the Park Plaza Cooperatief U.A.	107,771
Shares issued to acquire Golden Wall Ltd.	4,550
Shares issued to acquire intangibles	4,000

¹ See Note 1.

The accompanying notes are an integral part of the company financial statements.

Notes to the Company financial statements

Note 1 Significant accounting policies

The Parent Company has prepared its Annual Report in accordance with Companies (Guernsey) Law 1994. The Parent Company, in preparing the Annual Accounts of the legal entity, applies all International Financial Reporting Standards (IFRS) and statements as approved by the European Union.

The Parent company financial statements are presented in Euro. As the Company was incorporated in June 2007, comparative data for 2006 was not presented.

The accounting policies adopted are consistent with those of the consolidated financial statements, except for the investment in subsidiaries that are stated at cost.

Note 2 Investment in subsidiaries

	As at 31 December 2007 €'000
Balance as of 1 January 2007	–
Acquisitions Park Plaza Cooperatief U.A.	111,771
Acquisition Golden Wall Ltd.	4,550
Share based payments	68
Translation adjustments	(8,636)
Balance as of 31 December 2007	107,753

Note 3 Loans to Group companies

	Interest %	As at 31 December 2007 €'000
Park Plaza Hotels Europe B.V.	12 month EURIBOR +3%	183,010
Park Plaza Hotels Europe (Germany) B.V.	12 month EURIBOR +3%	1,193
Park Vondel Hotel Holding B.V.	12 month EURIBOR+3%	4,628
Park Plaza Nuremberg GmbH	12 month EURIBOR +2.5%	4,382
		193,213

All loans are denominated in Euro and no agreement about redemption has been made.

Note 4 Other receivables and prepayments

	As at 31 December 2007 €'000
Interest receivable	83
Prepaid expenses	321
	404

Note 5 Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. Included in the cash at bank are short-term deposits for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Notes to the Company financial statements

continued

Note 6 Group companies payable

	As at 31 December 2007 €'000
Park Plaza Hotels Europe B.V.	333
Euro Sea Hotels N.V.	122
	455

The Group companies payables bear no interest and no agreement about redemption has been made.

Note 7 Other payables and accruals

	As at 31 December 2007 €'000
Creditors	131
Other accruals	271
	402

Note 8 Financial expenses

The financial expenses included in the profit and loss account fully relate to a fee paid for the amendment of a loan facility.

Note 9 Financial income

	Year ended 31 December 2007 €'000
Interest group company loans	6,473
Interest deposit	3,076
Foreign exchange results	15,631
	25,180

Note 10 Dividend income

The dividend income relates to a dividend in kind at IPO date from the subsidiary Golden Wall Ltd. The dividend in kind included the group companies loans receivables at that date from Park Plaza Hotels Europe B.V., Park Plaza Hotels Europe (Germany) B.V. and Park Vondel Hotel Holding B.V.

Appendices to the financial statements

Appendix A: Subsidiaries and investments included in the Euro Sea Group

Euro Sea Group:	Principal activity	Country of incorporation	Direct and indirect holdings %
Euro Sea Hotels N.V.	Hotel operation and management	The Netherlands	100
The Mandarin Hotel B.V.	Hotel operation	The Netherlands	100
Suf Holdings B.V.	Holding company	The Netherlands	100
Victory Enterprises I B.V.	Holding company	The Netherlands	100
Victory Monument B.V.	Holding company	The Netherlands	50
V.H.R.I. B.V.	Holding company	The Netherlands	50
V.H.R.M.S. B.V.	Hotel operation	The Netherlands	50
Utrecht Victoria Hotel B.V.	Hotel operation	The Netherlands	50
Victoria Hotel C.V.	Hotel operation	The Netherlands	50
Riverbank Hotel Operator Ltd.	Hotel operation	United Kingdom	45
Riverbank Hotel Holding B.V.	Hotel operation	The Netherlands	45
Victoria London Hotel Holding B.V.	Hotel operation	The Netherlands	45
Victoria Park Plaza Operator Ltd.	Hotel operation	United Kingdom	45
Victoria Pub Holdings B.V.	Hotel operation	The Netherlands	45
Sherlock Holmes Park Plaza Ltd.	Management	United Kingdom	45
Grandis Netherlands Holding B.V.	Management	The Netherlands	45
Marlbray Limited	Hotel operation	United Kingdom	33.3

Appendix B: Subsidiaries and investments included in the Park Plaza Group

Park Plaza Group:	Principal activity	Country of incorporation	Direct and indirect holdings %
Park Plaza Hotels Europe Holdings B.V.	Holding company	The Netherlands	100
Park Plaza Hotels Europe B.V.	Management	The Netherlands	100
Park Plaza Hotels (Germany) Services GmbH	Management	Germany	100
Park Plaza Hotels Europe (Germany) B.V.	Management	The Netherlands	100
Sugarhill Investments B.V.	Holding company	The Netherlands	100
Park Plaza Germany Holdings GmbH	Holding company	Germany	100
Park Plaza Berlin Hotelbetriebsgesellschaft GmbH	Hotel operation	Germany	100
Park Plaza Dresden Hotelbetriebsgesellschaft GmbH	Hotel operation	Germany	100
Park Plaza Wallstrasse Hotelbetriebsgesellschaft GmbH	Hotel operation	Germany	100
art'otel Berlin Mitte/Park Plaza Betriebsgesellschaft GmbH	Hotel operation	Germany	100
art'otel Berlin City Center West GmbH	Hotel operation	Germany	100
art'otel Dresden/Park Plaza Betriebsgesellschaft GmbH	Hotel operation	Germany	100
art'otel Budapest Szállodaüzemeltető Kft	Hotel operation	Hungary	100
Park Vondel Hotel Holding B.V.	Hotel operation	The Netherlands	100
Park Vondel Hotel Real Estate B.V.	Holding company	The Netherlands	100
Park Vondel Hotel Management B.V.	Holding company	The Netherlands	100
Golden Wall Investments Limited	Finance company	BVI	100
Riverbank Hotel Operator Ltd.	Hotel operation	United Kingdom	10
Riverbank Hotel Holding B.V.	Hotel operation	The Netherlands	10
Victoria London Hotel Holding B.V.	Hotel operation	The Netherlands	5
Victoria Park Plaza Operator Ltd.	Hotel operation	United Kingdom	5
Victoria Pub Holdings B.V.	Hotel operation	The Netherlands	5
Sherlock Holmes Park Plaza Ltd.	Management	United Kingdom	10
Grandis Netherlands Holding B.V.	Management	The Netherlands	10

Appendices to the financial statements

continued

Appendix C: Subsidiaries included in the Group

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest %
Park Plaza Cooperatief UA	Holding company	The Netherlands	100
Euro Sea Hotels N.V.	Holding company	The Netherlands	100
Suf Holdings B.V.	Holding company	The Netherlands	100
The Mandarin Hotel B.V.	Hotel operation	The Netherlands	100
Victory Enterprises I B.V.	Holding company	The Netherlands	100
Park Plaza Hotels Europe Holdings B.V.	Holding company	The Netherlands	100
Park Plaza Hotels Europe B.V.	Management	The Netherlands	100
Park Plaza Hotels (Germany) Services GmbH	Management	Germany	100
Park Plaza Hotels Europe (Germany) B.V.	Management	The Netherlands	100
Park Plaza Hotels (U.K.) Services Ltd	Management	United Kingdom	100
Sugarhill Investments B.V.	Holding company	The Netherlands	100
Park Plaza Germany Holdings GmbH	Holding company	Germany	100
Park Plaza Berlin Hotelbetriebsgesellschaft GmbH	Hotel operation	Germany	100
Park Plaza Dresden Hotelbetriebsgesellschaft GmbH	Hotel operation	Germany	100
Park Plaza Wallstrasse Hotelbetriebsgesellschaft GmbH	Hotel operation	Germany	100
art'otel Berlin Mitte/Park Plaza Betriebsgesellschaft GmbH	Hotel operation	Germany	100
Park Plaza Nuremberg GmbH	Hotel operation	Germany	100
art'otel Berlin City Center West GmbH	Hotel operation	Germany	100
art'otel Dresden/Park Plaza Betriebsgesellschaft GmbH	Hotel operation	Germany	100
art'otel Budapest Szállodaüzemelteto Kft	Hotel operation	Hungary	100

Appendix D: Jointly controlled entities included in the Group

Name of company	Principal activity	Country of incorporation	Proportion of ownership interest %
V.H.R.I. B.V.	Holding company	The Netherlands	50
V.H.R.M.S. B.V.	Hotel operation	The Netherlands	50
Utrecht Victoria Hotel B.V.	Hotel operation	The Netherlands	50
Victoria Hotel C.V.	Hotel operation	The Netherlands	50
Victoria Monument B.V.	Hotel operation	The Netherlands	50
Riverbank Hotel Operator Ltd.	Hotel operation	United Kingdom	55
Riverbank Hotel Holding B.V.	Holding company	The Netherlands	55
Victoria London Hotel Holding B.V.	Holding company	The Netherlands	50
Victoria Park Plaza Operator Ltd.	Hotel operation	United Kingdom	50
Sherlock Holmes Park Plaza Ltd.	Hotel operation	United Kingdom	55
Grandis Netherlands Holding B.V.	Holding company	The Netherlands	55
Victoria Pub Holdings B.V.	Holding company	The Netherlands	50

To the Members of Park Plaza Hotels Limited

We have audited the consolidated and parent company financial statements ("the financial statements") for the year ended 31 December 2007 which comprise the Consolidated and Company balance sheet, the Consolidated and Company income statement, the Consolidated and Company statement of changes in equity, the Consolidated and Company statement of cash flow and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 64 of the Companies (Guernsey) Law 1994. 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 auditors' 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

The directors are responsible for the preparation of the financial statements in accordance with applicable Guernsey law as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Guernsey) Law 1994. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it. The other information comprises the Strategy statement and financial highlights, Park Plaza Hotels at a glance, the Chairman's statement, the President and CEO's statement and operational review, the Strategic plan and development, Market review and Corporate governance (including the Statement of Directors' Responsibilities). Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group and Company's affairs as at 31 December 2007 and of the Group and Company's results for the year then ended and have been properly prepared in accordance with the Companies (Guernsey) Law 1994.

Ernst & Young LLP

Guernsey, Channel Islands

Date: 20 May 2008

Notice of AGM

Park Plaza Hotels Limited

(Registered in Guernsey under number 47131)

Notice is hereby given that the first Annual General Meeting of the Company will be held at St. Pierre Park Hotel, Rohais, St. Peter Port, Guernsey, GY1 1FD, Channel Islands on 30 June 2008 at 12.00 noon for the following purposes:

Ordinary business

To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

- 1 that the Report of the Directors and the Accounts of the Company for the year ended 31 December 2007 together with the report of the auditors be received;
- 2 that Ernst & Young LLP be re-appointed as auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration; and
- 3 that Eli Papouchado, Elisha Flax, Kevin McAuliffe and Nigel Jones who had indicated their willingness to continue in office, be re-elected Directors of the Company, as required by Article 17.6 of the Company's Articles of Association.

Dated: 4 June 2008

By Order of the Board
C.L. Secretaries Limited
Company Secretary

Administration Office

1st and 2nd Floors,
Elizabeth House, Les Ruettes Brayes, St. Peter Port,
Guernsey GY1 1EW, Channel Islands.

Notes

- 1 Any member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote in his stead. Such proxy need not be a member of the Company.
- 2 To be valid, the form of proxy must be returned in accordance with the instructions printed thereon not later than 12.00 noon on 28 June 2008. Proxies should be returned to Capita Registrars, (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom.
- 3 Completion and return of a form of proxy will not prevent a member from attending and voting at the meeting should he so wish.
- 4 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (formerly CRESTCo's) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by Capita Registrars (ID RA 10) by no later than 12.00 noon on 28 June 2008. No such message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 5 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 28 June 2008 or, if this meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6.00 p.m. on 28 June 2008 or, if this meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at this Annual General Meeting.

Useful contacts

Directors

Eli Papouchado
Boris Ivesha
Chen Moravsky
Elisha Flax
Kevin McAuliffe
Nigel Jones

Park Plaza Hotels

Corporate Office

Hasselaerssteeg 11
1012 MB Amsterdam
The Netherlands
Tel: +31 (0) 20 713 8200
Fax: +31 (0) 20 524 0651
Email: cmoravsky@pphe.com
Web: parkplazahotels.net

Contacts

Chen Moravsky,
Chief Financial Officer and
Board Member
Robert Henke,
Vice President Marketing

Administrator

C.L. Secretaries Limited
1st Floor
Elizabeth House
Les Ruettes Brayes
St. Peter Port
Guernsey GY1 4LX
Channel Islands

Independent Auditors

Ernst & Young LLP
14 New Street
St. Peter Port
Guernsey GY1 4AF
Channel Islands

Legal Advisors

Norton Rose
3 More London Riverside
London SE1 2AQ
United Kingdom

Carey Olsen
7 New Street
St. Peter Port
Guernsey GY1 4BZ
Channel Islands

Registered Office

22 Smith Street
St. Peter Port
Guernsey GY1 2JQ
Channel Islands

Broker

Morgan Stanley Securities Limited
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Registrar

Capita Registrars (Guernsey) Limited
2nd Floor
1 Le Truchot
St. Peter Port
Guernsey GY1 1WD
Channel Islands

Secretary

C.L. Secretaries Limited
1st Floor
Elizabeth House
Les Ruettes Brayes
St. Peter Port
Guernsey GY1 4LX
Channel Islands

Nominated Adviser

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Financial Public Relations

Hudson Sandler
29 Cloth Fair
London EC1A 7NN
United Kingdom



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Park Plaza Hotels Corporate Office
Hasselaerssteeg 11, 1012 MB Amsterdam, The Netherlands
Tel: +31 (0) 20 713 8200 Fax: +31 (0) 20 524 0651
www.parkplazahotels.net