



PARK PLAZA | HOTELS

Admission Document
Placing and Admission to AIM

Morgan Stanley

Sole Bookrunner
Nominated Adviser
Lead Manager and Broker



art'otel berlin kudamm



Park Plaza Trier



art'otel budapest



Park Plaza Riverbank London



Park Plaza Leeds



Park Plaza Wallstreet Berlin



Park Plaza Tyrrelstown Dublin

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should immediately consult a financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) who specialises in advising on the acquisition of shares and other securities.

Consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1989 was obtained on 22 June 2007 by the Company for the issue of the Placing Shares and associated fund raising. In giving its consent, neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council accept responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard thereto.

This document is an AIM Admission Document which has been drawn up in accordance with Guernsey Law and the AIM Rules and has been issued in connection with the application for admission to trading of 42,492,292 ordinary shares of nil par value in the capital of the Company on AIM. No offer of securities to the public (for the purposes of section 102B of the Financial Services and Markets Act 2000) is being made in connection with the Placing. This document does not constitute a prospectus for the purposes of the Prospectus Rules and has not been filed with or approved by the FSA.

The Company and the Directors, whose names appear on page 2 under the heading “Directors, secretary and advisers”, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the whole of the ordinary share capital of the Company, in issue and to be issued, to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. Investment in the Company is speculative and involves significant risks and special consideration. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document. No application is being made for admission of the Shares to the Official List and no application has been or is being made for the Shares to be listed on any other recognised investment exchange.

It is expected that Admission will become effective and dealings in the Shares will commence on AIM on 17 July 2007. Although the whole text of this document should be read, the attention of persons receiving this document is drawn to the section headed “Risk Factors” contained in Part V of this document. All statements regarding the Group’s business, financial position and prospects should be viewed in light of the risk factors set out in Part V of this document.

PARK PLAZA HOTELS LIMITED

(Incorporated and registered in Guernsey with company registration number 47131)

PLACING

*of 15,450,000⁽¹⁾ Shares of nil par value at a price of £5.50 per Share
and Admission to trading on AIM*

MORGAN STANLEY & CO. INTERNATIONAL PLC

Nominated Adviser

MORGAN STANLEY SECURITIES LIMITED

Lead Manager, Sole Bookrunner, Underwriter and Broker

SHARE CAPITAL ON ADMISSION

40,942,292 ordinary shares of nil par value, issued and fully paid⁽¹⁾

Note:

(1) Assuming no exercise of the Over-allotment Option.

The Placing Shares will rank in full for dividends or other distributions hereafter declared, paid or made, on the ordinary share capital of the Company and will rank pari passu in all respects with all other Shares which will be in issue on Admission.

It is expected that Admission will become effective and that unconditional dealings in the Shares on AIM will commence at 8.00 a.m. on 17 July 2007. Conditional dealings in the Shares before Admission are expected to commence on AIM on 12 July 2007 and will only be settled if Admission takes place. All dealings before commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or to subscribe for, Shares in any jurisdiction in which such an offer, invitation or solicitation is unlawful and this document is not for distribution in or into the Prohibited Territories. The Shares have not been and will not be registered under the applicable securities laws of the Prohibited Territories and, unless an exemption under such laws is available, may not be offered for sale or subscription or sold or subscribed directly or indirectly within the Prohibited Territories for the account or benefit of any national, resident or citizen of the Prohibited Territories.

The Shares offered by this document have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or under the applicable securities laws of any state of the United States and may not be offered or sold within the United States. The Shares are being offered and sold only outside the United States in "offshore transactions" in reliance on, and as such term is defined in, Regulation S under the Securities Act.

The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

Morgan Stanley is acting for the Company and no-one else in connection with the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Morgan Stanley or for providing advice in connection with the Placing and Admission or any other matter referred to herein.

In connection with the Placing, Morgan Stanley and any of its affiliates acting as an investor for its own account may take up Placing Shares and in that capacity may retain, purchase or sell for its own account such securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Placing. Accordingly, reference in this document to the Placing Shares being offered or placed should be read as including any offering or placement of securities to Morgan Stanley and any of its affiliates acting in such capacity. Morgan Stanley does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or Morgan Stanley. Without prejudice to the Company's obligations under the AIM Rules, neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

Prospective investors must not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Prospective investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Shares. Prospective investors must rely on their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Apart from the responsibilities and liabilities, if any, which may be imposed on Morgan Stanley by FSMA or the regulatory regime established thereunder, Morgan Stanley accepts no responsibility whatsoever for the contents of this document nor for any other statement made or purported to be made by it or on its behalf in connection with the Company, the Shares or the Placing. Morgan Stanley disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above), which it might otherwise have in respect of this document or any such statement.

This document is being furnished by the Company in connection with an offering exempt from registration under the Securities Act pursuant to Regulation S solely for the purposes of enabling prospective investors outside the United States to consider the purchase of Shares. Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Shares offered hereby is prohibited. Each offeree of the Shares, by accepting delivery of this document, agrees to the foregoing.

Morgan Stanley has been appointed as nominated adviser to the Company.

Copies of this document, which is dated 12 July 2007, are available for collection, free of charge, from Admission and for one month thereafter during normal business hours from Morgan Stanley & Co. International plc, 25 Cabot Square, Canary Wharf, London E14 4QA.

Restriction on sales

This document does not constitute, and may not be used for the purposes of, an offer or any invitation to subscribe for any Shares by any person in any jurisdiction: (a) in which such offer or invitation is not authorised; or (b) in which the person making such offer or invitation is not qualified to do so; or (c) to any person to whom it is unlawful to make such offer or invitation. The distribution of this document and the Placing in certain jurisdictions may be restricted. Accordingly, persons outside the United Kingdom into whose possession this document comes are required by the Company and Morgan Stanley to inform themselves about and to observe any restrictions as to the Placing and the distribution of this document under the laws and regulations of any territory in connection with any application for Shares, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such territory. No action has been taken or will be taken in any jurisdiction by the Company or Morgan Stanley that would permit a public offering of the Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document other than in any jurisdiction where actions for that purpose are required.

Notice to prospective investors in the United Kingdom

This document is only being distributed to and is only directed at: (a) persons who are outside the United Kingdom; or (b) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); or (c) high net worth companies, unincorporated associations and other bodies falling within Article 49(2)(a) to (d) of the Order and (d) other persons to whom it may lawfully be communicated (all such persons together being referred to as "relevant persons"). The Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

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Notice to prospective investors in the European Economic Area

In any European Economic Area (“EEA”) Member State that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the “Prospectus Directive”), this communication is only addressed to and is only directed at: (a) qualified investors in that Member State within the meaning of the Prospectus Directive; and (b) other persons who are permitted to purchase the Shares pursuant to an exemption from the Prospectus Directive and other applicable regulations.

This document has been prepared on the basis that all offers of the Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in the Member States of the EEA, from the requirement to produce a prospectus for offers of shares. Accordingly, any person making or intending to make any offer within the EEA of the Shares which are the subject of the placement contemplated in this document should only do so in circumstances in which no obligation arises for the Company or Morgan Stanley to produce a prospectus for such offer. Neither the Company nor Morgan Stanley has authorised, nor do they authorise the making of any offer of Shares through any financial intermediary, other than offers made by a financial intermediary with the consent of Morgan Stanley and other than offers made by Morgan Stanley which constitute the final placement of Shares contemplated in this document.

Notice in connection with the United States and the Prohibited Territories

This document does not constitute an offer to sell or issue, or the solicitation in any jurisdiction of an offer to subscribe for or buy, Shares to any person to whom or in which such offer or solicitation is unlawful and, in particular, is not, save in certain limited circumstances pursuant to applicable private placement exemptions, for distribution in or into the United States or the Prohibited Territories. The Shares have not been and will not be registered or qualified for distribution under the applicable securities laws of the Prohibited Territories. Subject to certain exceptions, the Shares may not be offered or sold in the Prohibited Territories or to, or for the account or benefit of, any national, resident or citizen of the Prohibited Territories. The Shares have not been, and will not be, registered under the Securities Act or under applicable state securities (“blue sky”) laws of the United States. The Shares are only being offered and sold outside the United States in reliance of Regulation S under the Securities Act. By accepting delivery of this document and not returning it immediately, each offeree purchasing Shares will be deemed to have represented and agreed that: (i) it is aware that the Shares have not been and will not be registered under the Securities Act or with any regulatory authority in any state or other jurisdiction in the United States; and (ii) it is acquiring the Shares in an offshore transaction meeting the requirements of Regulation S.

The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed on or endorsed the merits of the offer or the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.

In addition, until the expiry of 40 days after the commencement of the Placing, an offer or sale of Shares within the United States by a dealer (whether or not participating in the Placing) may violate the registration requirements of the Securities Act.

Over-allotment and Stabilisation

In connection with the Placing, Morgan Stanley as Stabilisation Manager, or any of its agents may (but will be under no obligation to), to the extent permitted by law, over-allot or effect other transactions intended to enable it to satisfy any over allotments or which stabilise, maintain or otherwise affect the market price of the Shares or any options, warrants or rights with respect to, or interests in, the Shares or other securities in the Company, in each case at levels which might not otherwise prevail in the open market. Morgan Stanley is not required to enter into such transactions and such transactions may be effected on any stock market, over the counter market or otherwise. However, there will be no obligation on Morgan Stanley or any of its agents to effect stabilising transactions and no assurance is given that stabilising transactions will be undertaken. Such transactions, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Shares above the Placing Price.

Save as required by any legal or regulatory obligation, neither Morgan Stanley nor any of its agents intends to disclose the extent of any over-allotments under the Placing.

In connection with the Placing, Morgan Stanley may, for stabilisation purposes, over-allot Shares up to a maximum of 10% of the total number of Shares comprised in the Placing for the purposes of allowing it to cover over-allotments (if any) and/or to cover short positions relating to stabilising transactions, Morgan Stanley has entered into the Over-allotment Option with the Company pursuant to which Morgan Stanley may require the Company to issue additional Shares up to a maximum of 10% of the total number of Shares comprised in the Placing at the Placing Price. The Over-allotment Option will be exercisable in whole or in part, upon notice by Morgan Stanley, at any time on or before 30 days after the commencement of conditional trading of the Shares. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank pari passu in all respects and will be purchased on the same terms and conditions as the Shares being issued or sold in the Placing and will form a single class for all purposes with the other Shares.

Forward-looking statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Company and/or the Directors concerning, amongst other things, the Company’s strategy and business plans, results of operations, financial condition, liquidity, prospects and dividend policy of the Company and the markets in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company’s actual results of operations, financial condition, liquidity, dividend policy and the development of its strategy may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Company are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to, changes in economic conditions generally and in the UK, German, Dutch, Irish and MENA hotel markets specifically, legislative/regulatory changes, changes in taxation regimes, the availability and cost of capital for future investments and the availability of suitable financing.

Potential investors are advised to read this document in its entirety and, in particular, Part V of this document entitled “Risk factors” for a further discussion of the factors that could affect the Company’s future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

These forward-looking statements speak only as at the date of this document. Subject to its legal and regulatory obligations (including under the AIM Rules), the Company expressly disclaims any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

No incorporation of website information

The contents of the Company’s website or any website directly or indirectly linked to the Company’s website do not form part of this document.

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CONTENTS

	<u>Page</u>
PLACING STATISTICS	1
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	1
DIRECTORS, SECRETARY AND ADVISERS	2
KEY INFORMATION	4
PART I—THE GROUP AND ITS BUSINESS	12
1. Overview	12
2. History	13
3. Core strengths	14
4. Strategy	16
5. Business and operations	18
6. The Group’s brands and intellectual property rights	19
7. Hotels in operation, committed projects and pipeline	21
8. Food and beverage operations	24
9. Customers/Sources of business	24
10. Sales, marketing and public relations	24
11. Effective tax rate	25
12. Relationship with key Shareholders	25
13. Competition	26
14. Directors, senior management and organisational structure	26
15. Corporate governance	28
16. Operational structure	29
17. Employees	30
18. Reasons for the Placing and use of proceeds	30
19. Dividend policy	30
20. Administration and secretarial arrangements	31
21. Takeover Code	31
22. Shareholder notifications of interests	32
23. Effect of Guernsey domicile	32
24. Taxation	32
PART II—DETAILED OVERVIEW OF THE GROUP’S HOTEL PORTFOLIO AND COMMITTED PROJECTS	33
PART III—INDUSTRY OVERVIEW	58
PART IV—THE PLACING	63
1. Details of the Placing and Admission	63
2. Terms and conditions of the Placing	63
3. Admission to trading and dealing arrangements	64
4. Over-allotment and stabilisation	64

	<u>Page</u>
5. CREST	65
6. Placing and lock-up arrangements	65
7. Selling restrictions/securities law	65
PART V—RISK FACTORS	68
PART VI—SELECTED FINANCIAL INFORMATION ON PPHE HOLDINGS AND EURO SEA ..	82
PART VII—UNAUDITED <i>PRO FORMA</i> FINANCIAL INFORMATION	85
PART VIII—OPERATING AND FINANCIAL REVIEW	92
PART IX—FINANCIAL INFORMATION	106
PART X—VALUATION REPORT	170
PART XI—ADDITIONAL INFORMATION	177
1. Responsibility statements	177
2. The Company	177
3. Description of share capital	177
4. The Park Plaza Hotels Limited Executive Share Option Plan	179
5. Memorandum and Articles	181
6. Directors' interests	187
7. Substantial share interests	191
8. Directors' service agreements and letters of appointment	192
9. The Company's subsidiaries, jointly controlled entities and associate	193
10. Material contracts	196
11. Financing facilities	201
12. Related party transactions	205
13. United Kingdom taxation	207
14. Guernsey taxation	210
15. Working capital	211
16. Litigation	211
17. No significant change	212
18. Consents	212
19. General	212
DEFINITIONS	214

PLACING STATISTICS

Placing Price	£5.50 per Share
Number of Placing Shares being issued ⁽¹⁾	15,450,000
Number of Shares subject to the Over-allotment Option	1,550,000
Number of Shares in issue immediately following Admission ⁽¹⁾	40,942,292
Market capitalisation of the Company on Admission at the Placing Price ⁽¹⁾	£225,182,606
Net proceeds of the Placing receivable by the Company after expenses ⁽¹⁾⁽²⁾	£78.9 million

Notes:

(1) Assuming no exercise of the Over-allotment Option.

(2) The net proceeds are stated after deduction of the underwriting commissions and other expenses payable by the Company in respect of the Placing, expected to be approximately £6.1 million.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	12 July 2007
Commencement of conditional dealings	8.00 a.m. on 12 July 2007
Admission and commencement of unconditional dealings on AIM	8.00 a.m. on 17 July 2007
CREST accounts to be credited (where applicable)	17 July 2007
Dispatch of definitive share certificates (where applicable)	by 31 July 2007

Each of the dates in the above timetable is subject to change. All references to times are to London time unless otherwise stated. Temporary documents of title will not be issued.

It should be noted that if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	Eli Papouchado (<i>Non-executive Chairman</i>) Boris Ivesha (<i>Chief Executive Officer</i>) Chen Moravsky (<i>Chief Financial Officer</i>) Elisha Flax (<i>Non-executive</i>) Kevin McAuliffe (<i>Non-executive</i>) Nigel Jones (<i>Non-executive</i>)
Registered office	22 Smith Street St. Peter Port Guernsey GY1 2JQ Channel Islands
Nominated Adviser	Morgan Stanley & Co. International plc 25 Cabot Square Canary Wharf London E14 4QA
Lead Manager, Sole Bookrunner, Underwriter, Broker and Stabilisation Manager	Morgan Stanley Securities Limited 25 Cabot Square Canary Wharf London E14 4QA
Valuer	Savills Commercial Limited 20 Grosvenor Hill London W1K 3HQ
Legal advisers to the Company as to English law	Norton Rose 3 More London Riverside London SE1 2AQ
Legal advisers to the Company as to Guernsey law	Carey Olsen PO Box 98 7 New Street St. Peter Port Guernsey GY1 4BZ Channel Islands
Legal advisers to the Company as to Dutch law	Bird & Bird Van Alkemadeaan 700 2597 AW The Hague The Netherlands
Legal advisers to the Nominated Adviser, Lead Manager, Sole Bookrunner, Underwriter, Broker and Stabilisation Manager as to English law	Ashurst Broadwalk House 5 Appold Street London EC2A 2HA
Reporting accountants	Kost Forer Gabbay & Kasierer (a member of Ernst & Young Global) 3 Aminadav Street Tel Aviv 67067 Israel
Statutory auditors	Ernst & Young LLP PO Box 9 14 New Street St. Peter Port Guernsey GY1 4AE Channel Islands

Administrator and Company Secretary

C.L. Secretaries Limited
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Guernsey GY1 2JQ
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Registrars

Capita Registrars (Guernsey) Limited
2nd Floor
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Channel Islands

KEY INFORMATION

The following information is only a summary of more detailed information included in other sections of this document. The summary is not complete and does not contain all the information that prospective investors should consider before investing in the Shares. Prospective investors should read the whole of this document, paying particular attention to the risk factors set out in Part V of this document and not rely solely on the following summarised information.

1. The Group

The Group owns, co-owns, leases, franchises and manages full service four-star deluxe hotels and trendy boutique hotels in major gateway cities and regional centres in Europe and MENA. The Group operates under two distinct brands, “Park Plaza” and “art’otel”. The Group’s strategy is to tap into the growing “affordable luxury” market by offering a high quality product at attractive prices and to continue to expand its portfolio.

The Group’s hotel portfolio comprises 24 operating hotels located in six European countries and Israel, offering a total of 4,128 rooms. Two of these hotels are wholly-owned by the Group, five are co-owned with Elscint (a wholly-owned subsidiary of Elbit Medical Imaging Ltd., a company listed on NASDAQ), eight are operated under operating leases, three are managed with no ownership interest and six are operated by third parties under franchise agreements. The Group’s committed projects comprise four new hotels and an extension to an existing hotel, all under development or refurbishment, that together are planned to provide a further 1,843 rooms by the end of 2010. In addition, the Group has entered into territorial franchise arrangements pursuant to which a further 12 hotels comprising, in aggregate, 2,210 rooms are targeted to be opened by the end of 2010.

The Group has rights to two brands which the Directors believe have significant upside potential. The Group has the exclusive right to use the “Park Plaza” brand in 56 countries in the EMEA region, through a territorial licence agreement with Carlson, a leading US travel and hospitality company. In addition to the brand itself, the Group’s relationship with Carlson allows it to benefit from Carlson’s global brand infrastructure, reservation system and sales and marketing platform. The Group will also, on Admission, own the art’otel brand (subject to certain rights in favour of a third party as described in section 6 of this Part I headed “The Group’s brands and intellectual property rights—art’otel”).

2. Core strengths

The Group believes that it possesses a number of strengths that give it a competitive advantage, namely its:

- high quality and diversified hotel portfolio;
- two distinct brands which the Directors believe have significant upside potential;
- integrated approach of hotel and brand ownership and operation;
- powerful distribution network through Carlson partnership;
- strong growth prospects;
- exposure to strong and growing lodging markets in Europe; and
- experienced management team.

3. Company strategy

The Company’s objective is to become one of the leading hotel owner/operators in the four-star deluxe and trendy boutique hotel markets in Europe and MENA. Management intends to achieve this objective by building on the Group’s core strengths through the implementation of the following strategies for internal growth:

- expanding the brands;
- driving top line growth; and
- maintaining operational efficiency.

In addition to its strategies for internal growth, management intends to grow the Group's business externally by further expanding its portfolio of hotels through:

- acquisitions, joint ventures and developments;
- operating leases;
- management contracts; and
- franchising arrangements.

4. The Placing and lock-ups

Under the Placing, the Group will issue 15,450,000 Shares, assuming no exercise of the Over-allotment Option, raising net proceeds of approximately £78.9 million, net of underwriting commissions and other estimated fees and expenses of approximately £6.1 million.

The Placing Shares represent approximately 37.7% of the Enlarged Share Capital, assuming no exercise of the Over-allotment Option. In addition, a further 1,550,000 Shares are being made available by the Company to Morgan Stanley (or such persons as it may procure), pursuant to the Over-allotment Option.

The Placing and Admission are subject to certain conditions contained in the Placing Agreement. Further details of the Placing Agreement are set out in section 10.1 of Part XI of this document headed "Material contracts—The Placing Agreement and lock-up and stock lending arrangements".

Pursuant to the Placing Agreement each of the Company, Euro Plaza, Molteno and the Directors has agreed to lock-up arrangements for a period of six months in the case of the Company and, in the case of the Directors, Molteno and Euro Plaza, for a period of 12 months, in each case subject to customary exceptions. Two members of senior management and three other Shareholders (for further details see note (2) to the table in section 7.1 of Part XI of this document headed "Substantial share interests"), have agreed to be locked-up pursuant to separate lock-up agreements. Further details of these arrangements are described in section 10.1 of Part XI of this document headed "Material contracts—The Placing Agreement and lock-up and stock lending arrangements".

5. Reasons for the Placing and use of proceeds

The key reasons for the Placing are:

- to strengthen the Company's balance sheet and thereby increase its financial flexibility to pursue incremental growth opportunities;
- to improve access to international capital through a public listing of the Shares; and
- to enhance the visibility of the Group, by way of increased press coverage and interest in the Company as a publicly listed company, thereby increasing brand awareness and access to future hotel transactions.

The Group intends to use approximately 90% of the net proceeds from the Placing to finance the expansion of its portfolio of hotels, through the acquisition and development of properties. Of this amount, €17 million will be used to finance the acquisition and planned renovation of the Park Plaza Nuremberg and €4.5 million will be used to finance the conversion of the proposed extension to the Park Plaza Victoria Amsterdam. Approximately 10% of the net proceeds from the Placing will be used to repay outstanding debt.

6. Dividend policy

As a matter of Guernsey law, a company may only distribute dividends to shareholders out of profits available for such purpose.

The Company intends to retain its earnings for use in, and to grow, the business and therefore does not envisage paying any dividends for at least the first 18 months following Admission. The Company will keep this policy under review in light of the growth opportunities available to the Group.

7. Relationships with the Red Sea Group and the PPHE Group

General

The Group results from the combination of the hotel management and operating interests of the PPHE Group with certain hotel assets of the Red Sea Group.

Following Admission, Euro Plaza (a member of the Red Sea Group, which is ultimately controlled by the Descendants' Trusts) and Molteno (a member of the PPHE Group, which is ultimately controlled by the Princeton Trust) will own approximately 42.4%* and 18.3% respectively of the Enlarged Share Capital (assuming no exercise of the Over-allotment Option). As further described in section 10.1 of Part XI of this document headed "Material contracts—The Placing Agreement and lock-up and stock lending arrangements", both Euro Plaza and Molteno have agreed with Morgan Stanley, subject to certain customary exceptions, not to dispose of any Shares for a period of 12 months from the date of Admission. In a letter from the trustee of the Princeton Trust (the ultimate controlling shareholder of Molteno) to Euro Plaza, the trustee of the Princeton Trust, agreed that for so long as their and the Red Sea Group's combined interest in the Company is not less than 38% and the Red Sea Group's interest in the Company is at least 26.5% of the issued share capital, the Princeton Trust will vote its Shares at general meetings of Shareholders in a consistent manner with the votes cast by the Red Sea Group.

Relationship Agreements

On 28 June 2007 the Company entered into two Relationship Agreements with each of Euro Plaza and Molteno. Under the agreements each of Euro Plaza and Molteno has agreed that all arrangements between them and the Group will be on arms' length terms and that the Board will operate independently of Euro Plaza and Molteno and all decisions taken by the Board will be made for the benefit of Shareholders as a whole. Pursuant to the agreements, Euro Plaza has the right, for so long as it controls at least 30% of the issued share capital of the Company, to appoint two Directors, and one Director where its percentage holding is between 15% and 30% and Molteno has the right to appoint one Director for so long as it controls at least 15% of the issued share capital of the Company. Whilst Eli Papouchado and Boris Ivesha are members of the Board they will be deemed to be the appointees of Euro Plaza and Molteno respectively. Euro Plaza has granted the Group a right of first refusal to manage all hotels situated within the territory governed by the Territorial Licence Agreement at the date of Admission and acquired by Euro Plaza or any of its associates following Admission. This right does not apply to any hotels owned by Euro Plaza or any of its associates within the territory governed by the Territorial Licence Agreement at the date of Admission or hotels which were subject to prior agreements in existence at Admission. Each of Euro Plaza and Molteno has agreed not to solicit senior employees or officers of the Group.

8. Risk factors

The Directors consider the following risks (further details of which are set out in Part V of this document) to be the most significant for potential investors:

Risks relating to the Group's business

- A number of the Group's hotels are jointly owned with Elscint, a subsidiary of Elbit Medical Imaging Ltd., a NASDAQ listed company, and certain strategic decisions in relation to such hotels require the agreement of Elscint.
- The Group is reliant on its relationship with Carlson.
- The Group's operating results depend on the reputation and awareness of the brands it uses in its operations.
- The Group's results of operations are affected by foreign exchange fluctuations.
- A significant portion of the Group's operating expenses are fixed, which may impede the Group from quickly reacting to changes in its revenue.
- The Group may be unable to retain, extend or renew on acceptable terms the agreements for certain of the hotels it manages, leases or franchises.

* After the transfers referred to in note (2) to the table in section 7.1 of Part XI of this document headed "Substantial Share interests".

- The Group may not be able to meet the revenue targets in certain of its operating leases.
- The Group's management agreements may be terminated if certain minimum operating results are not met or by the giving of notice.
- The Group's business, financial condition and results of operations depend on the performance of, reputation of and developments affecting third-party hotel companies that operate under franchises.
- The Group's rapid growth may strain its managerial and operational resources and control systems.
- The Group's key senior personnel and management have been and remain material to its growth.
- The Group may face industrial disputes or other disruptions that could interfere with its operations.
- The Group faces competition for new hotels and it may not be successful in identifying or consummating opportunities that meet its criteria.
- The Group does not own the original artwork displayed in its art'otels.
- There are various risks connected with the Group's ownership of the art'otel trade marks and its licence of the Park Plaza trade marks.
- The Group does not own the domain name artotel.com and is exposed to certain other risks in relation to art'otel domain names.
- The existing Shareholders, Euro Plaza and Molteno, will continue to have substantial control over the Group after the Placing.
- The Group is exposed to certain risks in relation to information technology and systems.
- The Group's insurance policies may not be comprehensive.

Risks relating to the Group's properties and operations

- The Group may not obtain the amendment to the zoning plan required to expand the Park Plaza Victoria Amsterdam.
- The head landlord may terminate the operating leases relating to the art'otel Berlin City Centre West hotel with only six months' notice to a calendar quarter.
- The value of the Group's property portfolio may fluctuate as a result of factors outside the Group's control.
- Real estate investments are relatively illiquid.
- Some of the Group's construction projects have not been carried out under written contracts.
- There are certain risks relating to the Park Plaza Westminster Bridge project that are outside the Group's control, such as planning permission, certain guarantees and rights of light.

Risks relating to the hotel industry

- The Group is subject to certain risks common to the hotel industry, certain of which are beyond its control.
- Acts of terrorism have adversely affected the hotel industry generally, and these adverse effects may continue or worsen, particularly if there are further terrorist events.
- The Group is exposed to the risk of events that adversely impact domestic or international travel.
- The Group is exposed to the risk of litigation from its guests, customers, actual and potential partners, suppliers, employees, regulatory authorities, franchisees and/or the owners of hotels leased or managed by the Group.
- The Group may not be able to increase or maintain the number of its properties operated by its franchisees or pursuant to its management contracts.
- The Group is reliant on licences in order to carry on certain of its activities.
- Environmental and/or health and safety compliance costs and liabilities may have a material adverse effect on the Group's financial condition and operations.

Risks relating to the Group's borrowing

- The Group will borrow to fund its future growth.
- Failure to satisfy obligations under any current or future financing arrangements could give rise to default risk and require the Company to re-finance its borrowings.
- The term loan facility with GSI may be terminated on the occurrence of certain events which are outside the Group's control.

Risks relating to doing business in emerging and transitional markets

- The Group faces certain risks related to operating in emerging and transitional markets.
- The Group's operations and pipeline in emerging and transitional markets subject it to additional risks and costs.
- The legal systems in some of the countries where the Group may operate are still developing.

Risks relating to the Shares

- An investment in AIM-listed securities generally involves a higher degree of risk and can be less liquid than an investment in shares listed on the Official List.
- There has been no prior trading market for the Shares, an active trading market may not develop or be sustained in the future and possible volatility of the share price and restrictions on transfer may have an adverse impact on holders of the Company's shares.
- The price of the Shares may be volatile.
- The sale of a substantial number of the Shares, or the perception that such a sale could occur, could adversely affect the price of the Shares.

Risks relating to the taxation of the Group

- Changes in tax laws or their interpretation could affect the level of dividends the Company is able to pay.
- Changes to the tax residency of the Company and other members of the Group could adversely affect the Company's financial results.

SELECTED FINANCIAL INFORMATION

The tables below set out certain summary unaudited *pro forma* and illustrative financial information for the Group and summary unaudited financial information for PPHE Holdings and Euro Sea for the periods indicated. As this is only a summary, investors are advised to read the whole of this document and not rely solely on the information below.

Unaudited *pro forma* and illustrative financial information

The following table sets out the unaudited pro forma revenues and EBITDA for the Group prepared by the management for the year ended 31 December 2006 and unaudited illustrative revenues and EBITDA for the Group prepared by the management for the years ended 31 December 2004 and 2005. The Directors believe that the unaudited pro forma revenues and EBITDA for the year ended 31 December 2006 has been properly compiled on the basis stated and such basis is consistent with the IFRS accounting policies of the Group going forward. The adjustments applied in compiling the 2004 and 2005 illustrative revenues and EBITDA are consistent with those applied in compiling revenues and EBITDA in the 2006 unaudited pro forma financial statement. The unaudited pro forma revenues and EBITDA of the Group for the year ended 31 December 2006 set out below have been extracted without material adjustment from the unaudited pro forma financial information of the Group included in Part VII of this document. The unaudited illustrative revenues and EBITDA for the Group for the years ended 31 December 2004 and 2005 and the unaudited pro forma revenues and EBITDA for the Group for the year ended 31 December 2006 have been prepared as if the merger of the Euro Sea Group and the acquisition of the Park Plaza Group had occurred on the last day of each relevant previous financial year.

The adjustments to the unaudited pro forma and illustrative revenues and EBITDA (which are described below) are based on currently available information and assumptions that the Directors believe are reasonable. The selected financial information is presented for illustrative purposes only and does not purport to represent what the Group's actual consolidated operating results would have been had the merger of the Euro Sea Group and the acquisition of the Park Plaza Group occurred on the last day of each relevant previous financial period, nor does it purport to project the Group's results of operations or financial position for any future period or date.

The unaudited pro forma and illustrative revenues and EBITDA for the Group reflect adjustments made to the Group's financial information for the three years ended 31 December 2006 to reflect the following:

- *the acquisition of the Euro Sea Group by the Company, which for accounting purposes is treated as a merger. The consideration for this acquisition will take the form of the issuance of Shares and will be recorded at the book value of the net assets acquired. The consolidated assets and liabilities of Euro Sea have been extracted without material adjustment from the combined financial statements of that company included in Part IX of this document;*
- *the acquisition of the Park Plaza Group, being PPHE Holdings, PHH (the holding company of the entities which own and operate the Park Plaza Vondel), Golden Wall (the entity which has entered into the Territorial Licence Agreement as licensee) and the minority shareholdings in Riverbank (10%; being the holding company of the entities which own and operate the Park Plaza Riverbank), Grandis (10%; being the holding company of the entities which own and operate the Park Plaza Sherlock Holmes) and Victoria (5%; being the holding company of the entities which own and operate the Park Plaza Victoria, London);*
- *the elimination of all inter-company transactions and balances;*
- *the disposal at their carrying values of the assets and liabilities of certain companies; and*
- *the disposal at a gain of approximately €9.3 million of a company that owns a hotel in Hungary.*

The unaudited pro forma and illustrative revenues and EBITDA for the Group presented below has been included in this document for illustrative purposes only. By its nature it addresses a hypothetical situation and therefore does not represent the actual financial position of the Group during the periods discussed.

	Year ended 31 December		
	2006	2005	2004
		(unaudited)	
		(€'000)	
Revenues	88,213	65,997	56,209
EBITDA	22,807	15,972	19,606

Selected financial information for PPHE Holdings and Euro Sea

The selected audited consolidated and combined financial information set out below for the years ended 31 December 2004, 2005 and 2006 has been extracted without material adjustment from the consolidated financial information of PPHE Holdings and combined financial information of Euro Sea included in Part IX of this document. The financial information has been prepared in accordance with IFRS (except for certain departures from IFRS, primarily IAS 27) as described further in note 2a to the combined financial information of Euro Sea included in Part IX of this document. Since this is only a summary, investors are advised to read the whole of this document and not rely solely on the information summarised below.

The following information should be read in conjunction with “Operating and Financial Review” in Part VIII of this document and the consolidated financial statements of PPHE Holdings and the combined financial information of Euro Sea and related notes included in Part IX of this document. PPHE Holdings is the current holding company of the entities which own the hotel management and operating business, which will form part of the Group’s business following the Reorganisation. Euro Sea is the current holding company of the entities which own certain hotel real estate interests, which will also form part of the Group’s business following the Reorganisation. For further details of the Reorganisation please see section 12.1 of Part XI of this document headed “Related party transactions—Reorganisation Umbrella Agreement”. Potential investors should be aware however, that while the businesses of PPHE Holdings and Euro Sea are substantially comprised within the businesses which will, following the Reorganisation, comprise the Group, the business of the Group differs materially from the aggregation of the businesses of PPHE Holdings and Euro Sea. Accordingly, the financial information contained in Parts VI and IX of this document does not accurately reflect the past performance of the businesses which, following the Reorganisation, will form the Group and should not be relied on by potential investors when assessing the Group’s past or future performance. In particular:

- neither PPHE Holdings nor Euro Sea own the entities which own and operate the Park Plaza Vondel hotel (which will following the Reorganisation form part of the Group) and therefore the financial information set out below and contained in Parts VI and IX of this document does not include any financial information relating to the performance of this hotel;*
- the financial information for Euro Sea comprises information relating to its ownership of the Park Plaza Nottingham and Park Plaza Leeds hotels; the Group will not own these hotels following the Reorganisation and will following Admission only have management contracts in relation to them;*
- neither PPHE Holdings nor Euro Sea own the entities which hold the PPHE Group’s minority interests in the Park Plaza Victoria, Park Plaza Riverbank and Park Plaza Sherlock Holmes hotels in London (5%, 10% and 10% respectively) which will following the Reorganisation also form part of the Group and therefore the financial information set out below and contained in Parts VI and IX of this document and described below does not include any financial information relating to such interests;*
- the financial information for PPHE Holdings and Euro Sea also reflects certain loans from other entities in the current groups of these companies and third parties which will, as part of the Reorganisation, be repaid or eliminated on preparation of the Group’s consolidated accounts;*
- the financial information for Euro Sea also comprises information relating to certain construction and other businesses which will not form part of the Group following the Reorganisation; and*
- the financial information for Euro Sea for the years ended 31 December 2004 and 2005 reflects the sales of interests in certain hotels previously owned by Euro Sea.*

Selected financial information for PPHE Holdings

	Year ended 31 December		
	2006	2005 (audited) (€'000)	2004
Consolidated statement of operations			
Revenues	37,813	29,821	28,309
Gross profit	12,946	12,582	13,145
Profit from operations ⁽¹⁾	6,470	6,834	7,915
Net profit (loss) for the year	(6,239)	(4,902)	(3,542)
Consolidated balance sheet			
Total assets	20,891	18,759	16,280
Consolidated statement of cash flows			
Cash flows from operating activities	1,726	2,482	863

Note:

(1) This represents the results of the businesses which, following the Reorganisation, will comprise the Group's management business and the businesses of the hotels operated by the Group under operating leases.

Selected financial information for Euro Sea

	Year ended 31 December		
	2006	2005 (audited) (€'000)	2004
Combined statement of operations:			
Revenues	65,594	51,221	42,937
Gross profit	26,506	20,472	19,320
Profit from operations	6,608	3,991	7,559
Profit (loss) for the year	(12,326)	822	1,218
Combined balance sheet:			
Total assets	236,448	220,424	215,465
Combined statement of cash flows:			
Cash flows from operating activities	823	(5,081)	(8,411)

PART I

THE GROUP AND ITS BUSINESS

1. Overview

The Group owns, co-owns, leases, franchises and manages full service four-star deluxe hotels and trendy boutique hotels in major gateway cities and regional centres in Europe and MENA. The Group operates under two distinct brands, “Park Plaza” and “art’otel”. The Group’s strategy is to tap into the growing “affordable luxury” market by offering a high quality product at attractive prices and to continue to expand its portfolio.

The Group’s hotel portfolio comprises 24 operating hotels located in six European countries and Israel, offering a total of 4,128 rooms. Two of these hotels are wholly-owned by the Group, five are co-owned with Elscint (a wholly-owned subsidiary of Elbit Medical Imaging Ltd., a company listed on NASDAQ), eight are operated under operating leases, three are managed with no ownership interest and six are operated by third parties under franchise agreements. The Group’s committed projects comprise four new hotels and an extension to an existing hotel, all under development or refurbishment, that together are planned to provide a further 1,843 rooms by the end of 2010. In addition, the Group has entered into territorial franchise arrangements pursuant to which a further 12 hotels comprising, in aggregate, 2,210 rooms are targeted to be opened by the end of 2010. The Group also has an extensive pipeline of properties, further details of which are set out in section 7 of this Part I headed “Hotels in operation, committed projects and pipeline—Territorial franchise arrangements and pipeline”.

The Group’s current portfolio has a geographic spread across seven countries with eight hotels in the United Kingdom, nine hotels in Germany, five hotels in the Benelux countries, one hotel in Hungary and one hotel in Israel, as illustrated by the following map. The Group’s committed projects are in the UK, The Netherlands and Germany.

The Group’s current portfolio and committed projects—geographical spread



Note:

(1) Freehold and long leasehold; includes co-owned hotels.

The Group has rights to two brands which the Directors believe have significant upside potential. The Group has the exclusive right to use the “Park Plaza” brand in 56 countries in the EMEA region, through a territorial licence agreement with Carlson (the “Territorial Licence Agreement”), a leading US travel and

hospitality company. In addition to the brand itself, the Group's relationship with Carlson allows it to benefit from Carlson's global brand infrastructure, reservation system and sales and marketing platform.

The Group will also, on Admission, own the "art'otel" brand (subject to certain rights in favour of a third party as described in section 6 of this Part I headed "The Group's brands and intellectual property rights—art'otel") and currently operates six hotels under this brand in Germany and Hungary.

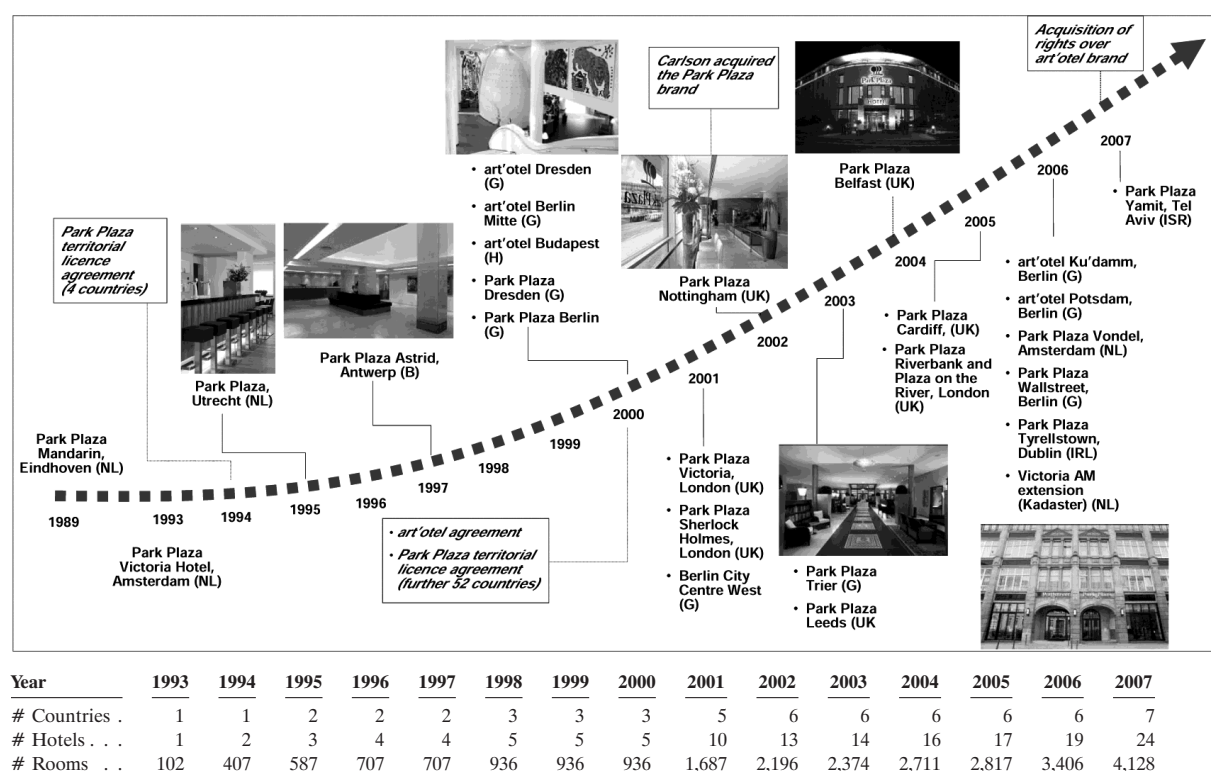
The Directors believe that the Group's brand rights and growing portfolio together with its investment and management expertise, mean it is well positioned to take advantage of expected opportunities for future growth.

2. History

The Group results from the combination of the hotel management and operating interests of the PPHE Group with certain hotel assets of the Red Sea Group (for further details of the Reorganisation from which the combination results, see section 12.1 of Part XI of this document headed "Related party transactions—Reorganisation Umbrella Agreement"). Members of these two groups, Euro Plaza and Molteno, will, on Admission, be the two largest Shareholders. The PPHE Group and the Red Sea Group have an 18-year history of working together in the hospitality industry.

The first business co-operation between the PPHE Group and the Red Sea Group was in 1989, with the Mandarin Park Plaza in Eindhoven, The Netherlands, which was acquired by the Red Sea Group and managed by the PPHE Group. In 1993, the Red Sea Group and Elscint, a subsidiary of Elbit Medical Imaging Ltd., a NASDAQ listed company, jointly acquired the Victoria Hotel Amsterdam, with the PPHE Group again acting as manager. This was the first of a number of joint projects between the Red Sea Group and Elscint, which include the Park Plaza Sherlock Holmes, the Park Plaza Victoria and Park Plaza Riverbank hotels in London as well as the Park Plaza Utrecht hotel in The Netherlands.

In 1994, the PPHE Group obtained rights to use the Park Plaza brand in the Benelux countries, the UK and Israel from its creator and then owner. In 2000, the PPHE Group entered into a territorial licence agreement to operate the Park Plaza brand in a further 51 countries and took over the management of a number of hotels in Germany and Hungary. In 2002, the Park Plaza brand was sold to Carlson, subject to the PPHE Group territorial licence agreement. Later that year the territorial licence agreement was renegotiated and the PPHE Group entered into a strategic marketing and reservations alliance with Carlson. The following chart shows the growth of the Group's portfolio from the date of the first business co-operation between PPHE Group and the Red Sea Group to the present.



3. Core strengths

High quality and diversified hotel portfolio

The Group has a portfolio of high quality four-star deluxe and trendy boutique hotels located primarily in major European cities with an attractive geographic spread. The Group's current portfolio comprises 24 properties with 4,128 rooms, of which two are wholly-owned, five are co-owned with Elscint, eight are operated under operating leases, three are managed with no ownership interest and six are franchised. The portfolio covers seven countries: the United Kingdom, Belgium, The Netherlands, Germany, Hungary, Ireland and Israel, and the Group has a particularly strong presence in the key European lodging markets of London and Amsterdam, where it owns and manages one hotel and has co-ownership and management interests in four other hotels. The Group's other European hotels are located in gateway cities, such as Budapest and Berlin, or important regional cities like Utrecht and Eindhoven. All of the Group's hotels are in prime locations, being close to key transportation networks such as major railway stations (e.g. Park Plaza Victoria Amsterdam and Park Plaza Victoria London), close to main shopping areas (e.g. Park Plaza Sherlock Holmes, art'otel Berlin Mitte and art'otel Berlin City Centre West), near exhibition centres (e.g. Park Plaza Utrecht), adjacent to tourist attractions (e.g. Park Plaza Belfast and all of the Group's London hotels) or in close proximity to airports (e.g. Park Plaza Dresden). The majority of the Group's hotels are either of recent construction or have recently undergone significant renovation or have refurbishment works planned for 2007.

The Group's committed projects comprise four new hotels under development or refurbishment in the United Kingdom, Germany and The Netherlands and the Group is also planning to add a further 100 rooms in an extension to the Park Plaza Victoria Amsterdam. In addition, the Group has entered into territorial franchise arrangements under which 12 hotels are planned to be opened in Ireland, North Africa and the Gulf States. The committed projects and the hotels planned under currently agreed territorial franchise arrangements are expected to add a further 1,843 and 2,210 rooms respectively to the Group's portfolio (equivalent to approximately 45% and 54% of the Group's current rooms, respectively) before the end of 2010. As these new properties stabilise and mature, the Directors believe they will contribute positively to the Group's earnings.

The Group's portfolio of hotels also offers conference facilities from which the Group derives substantial revenue. In 2006, conferencing and banqueting accounted for approximately 30% of the Group's revenue. The Directors believe that the conferencing and banqueting facilities within the Group's current portfolio of hotels position the Group to capture expected future growth in conferencing and banqueting trade. For example, the Park Plaza Riverbank in London offers two ballrooms with a total capacity of up to 1,100 people. The ballrooms are equipped with state-of-the-art equipment and feature views of the River Thames. The Group's committed projects will further expand the Group's conferencing and banqueting facilities. For example, the Park Plaza Westminster Bridge will feature a ballroom with capacity for up to 1,250 people, which will make it one of the largest in central London.

The Directors believe the diversified nature of the Group's current portfolio, committed projects, territorial franchise arrangements and pipeline, both in terms of geography, property type and interest, the quality of its properties, in terms of condition and location and the conference and banqueting facilities offered, mean that the Group is well positioned to take advantage of expected future growth in the EMEA lodging market.

Two distinct brands which the Directors believe have significant upside potential

The Group's business operates under two distinct brands, "Park Plaza" and "art'otel", each of which the Directors believe have significant upside potential. The Park Plaza brand is positioned in the mid-to-upscale segment of full service hotels and appeals to the growing market of business and leisure travellers seeking excellent service and facilities at attractive prices. Park Plaza branded hotels offer onsite restaurants, meeting rooms, conference facilities, catering, suite and recreational facilities. The art'otel brand is built on the concept of individually themed hotels each focusing on a particular artist connected with its location. The art'otel brand is aimed at a sophisticated clientele with an interest in art and culture. The Directors believe that increasing number of business and leisure travellers within Europe fuelled by the rapid growth in low-cost air travel and the growing trend for European city-breaks has increased demand for hotels with a distinctive brand which reflect the culture of their location. The Directors believe that the distinctive art'otel offering serves this niche in a way which no other brand currently does. The fact that the Group operates under two distinct brands, gives it the flexibility to take advantage of a range of opportunities in its target markets, whilst maintaining brand focus.

The Group has the exclusive right to use and sub-licence the Park Plaza brand in 56 countries in EMEA under the Territorial Licence Agreement with Carlson. The Group will, on Admission, own the worldwide rights to the art’otel brand, subject to certain rights granted to a third party to develop new hotels under the brand in six European countries (for further details see section 6 of this Part I headed “The Group’s brands and intellectual property rights—art’otel”).

Integrated approach of hotel and brand ownership and operation

The Group combines hotel and brand ownership with branded hotel management and franchise services. The Directors believe that this integrated approach allows the Group to take advantage of, and maximise the return for its Shareholders from, the different opportunities presented by the markets in which it operates and seeks to operate. For example, the Group’s success in acquiring, developing and operating flagship hotels such as the Park Plaza Victoria Amsterdam and the Riverbank Park Plaza in London have led to joint venture development projects, such as the Park Plaza Westminster Bridge project in London. These, in turn, have given rise to attractive management arrangements for the Group such as the Park Plaza County Hall hotel in London. The Group has also been successful in expanding its brands into certain geographical areas through franchising arrangements, which generate revenues and increase brand awareness without requiring a significant commitment of capital from the Group.

Powerful distribution network through Carlson partnership

The Group’s relationship with Carlson provides it with access to Carlson’s large-scale and effective reservation and distribution system (the “Carlson Central Reservation System” or “CRS”). This allows the Group to benefit from the economies of scale, extensive operating experience and significant negotiating power of one of the world’s largest travel and hospitality companies, while retaining the flexibility and speed of reaction associated with much smaller organisations. Membership of the Carlson Central Reservation System provides the Group with marketing benefits, including access to global loyalty programmes such as “Goldpoints plus”, “look to book” and airline partnership programmes as well as helping to secure preferred supplier status with numerous multi-national companies. In addition, where a customer is unable to secure a reservation at another hotel within the Carlson family of brands, either through a travel agent or online, the customer is automatically referred to another nearby hotel within the family of brands. The Group’s participation in the CRS therefore means that it receives referral customers to its hotels from other hotels in the CRS that may be fully booked on the dates such customers have requested. The importance of the CRS to the Group is illustrated by the fact that for the year ended 31 December 2006, approximately 30% of the Group’s reservations came through the CRS. Further details on the CRS are set out in section 10 of this Part I headed “Sales, marketing and public relations—Carlson Central Reservation System”.

Strong growth prospects

The Group is focused on managing and developing hotels in the “affordable luxury” market. The Directors consider this to be an expanding segment within the hospitality industry. The Directors believe that the Group’s presence in key geographic markets like London and Amsterdam with new or recently refurbished hotels in central locations at attractive rates, the Group’s growing brand recognition and increasing market penetration (as demonstrated by the Group’s occupancy rates) mean it is well positioned to capture the expected future growth in this segment. In addition, the Directors believe that the Group’s focus on European gateway cities will allow it to benefit from the increasing number of business and leisure travellers in Europe fuelled by the growth in low-cost air travel and the growing trend for European city breaks.

The Group also focuses on markets which the Directors believe have strong growth prospects. For example, the Group intends to focus on expanding in the MENA region and has already entered into franchising arrangements in relation to Morocco, Egypt and the Gulf States with a target of nine hotels comprising approximately 1,800 rooms planned to open by the end of 2010. Furthermore, a substantial part of the Group’s pipeline (in relation to which the Group is in an advanced stage of negotiation) is located in Central and Eastern Europe (including Russia). These markets currently have high rates of GDP growth and tend to have fewer branded four-star hotels than more developed markets. The Directors therefore believe that these markets afford the Group attractive RevPAR growth prospects. In order to take advantage of these opportunities, the Group has a dedicated team of employees focused on the Group’s expansion. With the proceeds of the Placing and the additional brand awareness that the Directors expect will result from Admission, the Directors believe the Group has strong growth prospects.

Exposure to strong and growing lodging markets in Europe

The Group's portfolio gives it exposure to the strong and growing lodging markets in certain key European cities. London and Amsterdam, the markets in which the Group currently has its strongest presence, experienced RevPAR growth in March 2007 of 15% and 12% respectively as compared with March 2006. In London, the Group currently co-owns with Elscint and manages three hotels (comprising, in aggregate, 878 rooms) and has agreed to manage two additional hotels, both of which are under construction (comprising, in aggregate, 1,348 rooms) and has a 33% interest in the development phase of one of these two hotels. The Directors expect the London hotel market to continue to grow significantly in coming years, as London continues to consolidate its position as Europe's leading financial centre and a major tourist destination. In the mid-term, demand for hotel rooms in London is likely to strengthen further as a result of London's status as the host city for the 2012 Olympic Games.

In Amsterdam, the Group currently owns one hotel and co-owns another with Elscint (comprising, in aggregate, 449 rooms) and is planning to add a further 100 rooms to one of these two hotels. The lodging market in Amsterdam is characterised by constraints on the supply of hotel rooms and therefore occupancy rates and RevPAR tend to be higher than for other European cities. The Directors believe that these characteristics are unlikely to change in the near future.

The Directors expect that the lodging market in Europe will continue to grow as the economies of Central and Eastern Europe continue to develop and the citizens of those countries have more disposable income allowing them to travel abroad more frequently. The continued growth in low-cost European air travel and the development of high speed rail services between major European cities is also expected to fuel growth in demand for hotel rooms from both business and leisure travellers.

Experienced management team

The Group's management team has extensive experience in the hospitality industry and members of the team have been involved in the Group's business of developing, acquiring and managing hotels since the acquisition by the Red Sea Group of the Mandarin Park Plaza in 1989. The Company's Chief Executive Officer (Boris Ivesha), Chief Development Officer (Micha Polak) and Chief Operations Officer (Erik van Kessel) have 40, 32 and 20 years of experience respectively in the hotel industry. The Directors believe that the Group's management team has substantial development capabilities, which have contributed to the growth in the Group's portfolio to date and will assist the Group in identifying and capitalising on development opportunities in the future. These capabilities arise from the management team's considerable experience of identifying development opportunities, acquiring development sites on favourable terms, obtaining relevant planning permissions, designing hotels and project managing the construction and refurbishment of hotels. This experience, coupled with the construction capabilities of the Company's largest Shareholder, the Red Sea Group, have facilitated the successful completion of a number of hotels in the Group's portfolio, including in 2005 the flagship Park Plaza Riverbank in London.

4. Strategy

The Group's objective is to become one of the leading hotel owner/operators in the four-star deluxe and trendy boutique hotel markets in Europe and MENA. Management intends to achieve this objective by building on its key strengths through the implementation of the following strategies for internal and external growth.

Internal growth

Management intends to grow the Group's business by implementing the following strategies for internal growth in relation to its existing hotels.

Expanding the brands. Management believes that the Group's brands, Park Plaza and art'otel, both have considerable development potential, particularly amongst the Group's target market of value-minded customers seeking affordable luxury. The Group intends to increase target customer awareness of its brands in Europe and in the US, as well as in emerging economies, by continuing to leverage its relationship with Carlson. This relationship allows the Group to expand brand awareness amongst target customers through participation in the CRS and customer loyalty schemes such as Goldpoints Plus, which rewards participants for staying in Carlson family hotels, and travel agent loyalty programmes such as Look to Book, which rewards travel agents for booking Carlson family hotels. In addition, management intends

to increase brand awareness through targeted advertising campaigns, use of online marketing initiatives and database customer relations management tools.

Drive top line growth. The Group intends to continue to increase the occupancy and average room rates in its existing hotels. In order to achieve this, the Group will seek to join further affiliation programmes with airline, car rental and other partners. The Group is also in the process of implementing a new yield management system, Optims Property System, which will allow it to take account of demand both from the CRS and internet bookings in real time, thereby enabling it to maximise room rates.

Food and beverage revenues are an important driver of the profitability of the Group's hotels, particularly the Park Plaza branded hotels. Management will seek to grow revenues in this area by continuing to focus on conference trade and banqueting, as well as the continued roll-out of the Group's food and beverage branded outlets such as the Chino Latino restaurants and Mix Espresso Gourmet cafes.

The Group will also seek to expand its experienced sales team with a view to improving occupancy and average room rates in its existing hotels (for further details see section 10 of this Part I headed "Sales, marketing and public relations—In-house marketing"). Management also intends to focus the Group's marketing activity on optimising the Group's revenue mix.

Maintain operational efficiency. The Group operates with an efficient corporate overhead structure which Management believes can be used to service a larger portfolio. Management intends to retain this structure as the Group's portfolio grows thereby retaining the operating flexibility required to take advantage of the opportunities which may arise both for expansion and to maximise returns from the Group's existing portfolio.

External growth

In addition to the strategies for internal growth, management intends to grow the Group's business externally by further expanding its portfolio of hotels through:

Acquisitions, joint ventures and developments. Management intends to grow the number of rooms in the Group's portfolio by acquisition. The Group has a substantial pipeline of acquisition opportunities and the Directors expect that further acquisition opportunities will arise as a result of management's extensive network of contacts. If available at attractive prices, the Group intends to acquire hotels in its target markets which will benefit from rebranding, thereby giving the Group additional cash flow in the short term. The Group's target markets include certain European gateway cities, including Paris, Rome, Milan and Barcelona, certain central and eastern European cities, including Vienna, Prague and Moscow, certain countries in the MENA region, including Morocco, Egypt and the Gulf States, and Scandinavia.

An example of the Group's acquisition track record is the Park Plaza Vondel in Amsterdam. The Group acquired this hotel from a bankruptcy procedure in January 2006 for €21.5 million, rebranded it within 72 hours and plans to invest €2.5 million in refurbishments. This hotel was valued by Savills at €30.1 million as at 5 June 2007.

Management also aims to use its experience of development projects, gained as a result of the Group's participation in various such projects to exploit development opportunities. An example of the Group's development capabilities is the Park Plaza Riverbank and Plaza on the River in London. The Group jointly acquired a site in a prime location and was successful in obtaining planning permission for a 460 room/suite hotel with large conference facilities. The development of the hotel was completed on plan and on budget. Since its opening in 2005, this hotel has benefited from the demand for large conference facilities in this location and has won numerous awards for quality of product. The hotel has been valued by Savills at £148 million or €218 million as at 5 June 2007 (of which the Group's interest represents €120 million). Such acquisition and development opportunities may be entered into by the Group alone or as part of a joint venture with the Group's existing or new partners.

Operating leases. The Group also aims to grow its portfolio of branded hotels by entering into operating leases. Although operating leases require less up front capital investment than acquiring or developing a hotel, they do expose the Group to possible increases in rental payments and do not allow the Group to participate in any increase in property value. The Group will therefore only enter into such arrangements on a selective basis and will seek to ensure that its liabilities under such leases are limited.

Management contracts. Where attractive opportunities arise, the Group will seek to expand its portfolio of hotels by entering into agreements to manage hotels. Opportunities of this type tend to be limited and

there is often a high degree of competition for such contracts. This makes the market for management contracts challenging and sometimes allows owners to negotiate fee deferral arrangements or guaranteed returns from managers. Notwithstanding this, management believes that the strength of the Group's brands and the quality of its existing operations give it a good position from which to negotiate. Management also believes that the Group's existing relationships with established property owning companies will present it with management opportunities which may not arise for other hotel management service providers. The management contract in relation to the Park Plaza County Hall is an example of a management agreement which has arisen from such a relationship.

Franchising arrangements. The Group intends to expand through franchise arrangements. Such arrangements allow the Group to expand its brands with minimal capital investment and risk. The Group currently has franchising arrangements in Cardiff, Berlin, Trier, Belfast, Dublin and Tel Aviv and has entered into territorial franchise arrangements in Northern Ireland, the Republic of Ireland and Morocco, Egypt and the Gulf States.

5. Business and operations

The Group is an integrated hotel owner and branded operator. Unlike many of its competitors, which tend either to manage or own hotels, the Group offers hotel management services while also having a variety of interests and contractual arrangements in its hotels. The Group's long-term exclusive licence in the EMEA region for the Park Plaza brands and worldwide ownership of the art'otel brand allows it to leverage a wide range of opportunities to expand its brand and portfolio. The Group's hotel interests and contractual arrangements involve ownership, co-ownership and development, operation through leases, management and franchise arrangements, the nature of which are summarised below.

Ownership, co-ownership and development

The Group wholly owns two and, together with Elscint, co-owns five of the hotels in its current portfolio. It will also wholly own two of the hotels in its portfolio of committed projects and, together with Elscint, co-owns the proposed extension to the Park Plaza Victoria Amsterdam hotel. The Group also has an option to acquire the Park Plaza Nottingham and the Park Plaza Leeds (both of which it currently manages) at fair market value exercisable at any time in the five years following Admission (for further details see section 12.2 of Part XI of this document headed "Related party transactions—Option agreements relating to Park Plaza Leeds and Park Plaza Nottingham"). All of these hotels are managed by the Group and are currently branded as Park Plasas. In partnership with the Red Sea Group, the Group has participated in the development of a number of its hotels often involving the conversion of office buildings. Hotel ownership has allowed the Group to participate in the increase in property values which often arises following such a development and has also allowed the Group to benefit from the historic increases in property values in London and Amsterdam.

Hotel ownership is the most capital intensive way to expand the Group's portfolio and the Group has in the past made and, where it considers appropriate, will in the future make such investments in co-operation with third party joint venture partners. The Group's 33% interest in the development phase of the proposed Park Plaza Westminster Bridge project is part of a joint venture with two highly experienced property developers. The Group intends to continue to expand its portfolio by acquiring ownership interests in hotels and the development of hotels where attractive opportunities arise.

Operating leases

Seven of the Group's nine hotels in Germany and the Group's hotel in Budapest are operated under operating leases. These tend to be long-term arrangements under which the Group leases a hotel from a third party owner for a period of up to 25 years. Monthly rental payments are based on a percentage of the operating revenues of that hotel subject, in most cases, to a minimum amount which is independent of the operating revenue. While operating leases require a lower capital investment than owning a hotel, there is a risk that the Group will not be able to generate sufficient revenues to cover rental payments and the other operating costs. For this reason, the Group will only enter into future operating lease arrangements where it is able to limit its exposure. Further details on operating leases are contained in Part VIII of this document in the section headed "Types of hotel operations—Operating leases".

Management contracts

The Group manages three of its current hotels under management contracts without any ownership interest. Such arrangements are terminable on six months' notice and the payment of an additional 12 months' fees and entitle the Group, amongst other things, to a basic fee of up to 2% of room revenues, plus an incentive fee of up to 7% of gross operating profit. In addition, the Group is entitled to receive head office reimbursement costs of up to 3% of gross operating profit to cover central overhead expenses. Further details on management arrangements are contained in Part VIII of this document in the section headed "Types of hotel operations—Management contracts".

Franchise arrangements

Six of the Group's current hotels and two of its committed projects are subject to franchise arrangements. The Group is also targeting an additional 12 franchised hotels in Ireland, Northern Ireland and MENA under territorial franchise arrangements. Under these franchise arrangements, third party hotel operators are granted licences for a fixed period to use one of the Group's two brands, either in relation to a specific hotel or in relation to a particular territory. In return, the Group receives a royalty fee as well as fees for services (such as marketing) connected with the brands, calculated as a percentage of gross room revenues. Where the Group enters into an exclusive franchise arrangement in respect of a particular territory, the third party operator is generally required to open a targeted number of hotels within specified periods of time. If these targets are missed, then the exclusivity of the arrangement falls away. The Group usually has the right to terminate the arrangement where the franchisee fails to meet quality standards or other requirements set out in the franchise agreement. Further details on franchise arrangements are contained in Part VIII of this document in the section headed "Types of hotel operations—Franchise agreements".

The following table summarises the Group's current hotel portfolio and committed projects by ownership/management type:

	No. of	Total		Owned/ co-owned		Operating lease		Managed		Franchised	
		Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Currently open											
Park Plaza	18	3,333		7	1,549	3	470	3	594	5	720
art'otel	6	795		—	—	5	672	—	—	1	123
Sub-total	24	4,128		7	1,549	8	1,142	3	594	6	843
Committed projects											
Park Plaza	4	1,623		2	275	—	—	2	1,348	—	—
art'otel	1	220		—	—	1	220	—	—	—	—
Sub-total	5	1,843		2	275	1	220	2	1,348	—	—
Targets under territorial franchise arrangements in relation to Ireland, Northern Ireland and MENA											
Park Plaza	12	2,210		—	—	—	—	—	—	12	2,210
art'otel	—	—		—	—	—	—	—	—	—	—
Sub-total	12	2,210		—	—	—	—	—	—	12	2,210
TOTAL	41	8,181		9	1,824	9	1,362	5	1,942	18	3,053

6. The Group's brands and intellectual property rights

The Group's two brands appeal to different target customers. The Group currently owns, co-owns, operates, manages or franchises 18 Park Plaza hotels offering a total of 3,333 rooms and six art'otel hotels offering a total of 795 rooms. Of the Group's five committed projects, four will be branded Park Plaza and one will be branded art'otel. Furthermore, all of the hotels targeted to be opened under signed territorial franchise arrangements in Ireland, Northern Ireland and MENA will be branded Park Plaza. Park Plaza branded properties are predominantly owned, managed or franchised, while art'otel branded properties are currently generally operated through an operating lease or franchise agreement. However, management intends that future expansion of the art'otel brand be carried out through ownership interests or franchise arrangements where possible.

Park Plaza

The Park Plaza brand is positioned in the mid-scale to upscale segment of full-service hotels. The hotels are located in the heart of business and tourist centres, and are easily accessible to central railway stations, airports and major ring roads. A cornerstone of the Park Plaza brand is to offer high quality standard rooms at attractive rates. These properties usually have 150-500 guestrooms with state-of-the-art facilities and are targeted at both business and leisure travellers.

The Group's rights to the Park Plaza brand arise from the Territorial Licence Agreement with Carlson. Under this agreement, the Group has the exclusive right to use (and to sub-licence others to use) the Park Plaza trademark in 56 countries within the EMEA region. The rights granted under the Territorial Licence Agreement are in perpetuity. The Territorial Licence Agreement also allows the Group to use (and to sub-licence others to use) the Carlson reservations, marketing, training and advertising system. Further details of which are set out in section 10 of this Part I headed "Sales, marketing and public relations—Carlson Central Reservation System."



For the rights granted by the Territorial Licence Agreement, the Group pays Carlson a fee calculated by reference to a percentage of the gross room revenues generated by all hotels operated under the Park Plaza brand in the territory covered by the Territorial Licence Agreement. An additional advertising fee is also payable based on a percentage of such gross room revenues.

art'otel

The art'otel brand is built on the concept of individually themed hotels each of which focuses on an artist connected with the hotels location. The art'otel brand appeals to a sophisticated clientele with an interest in art and culture. These hotels operate in the four-star price category and aim to provide excellent value for money with a unique blend of service and design. The art'otel properties are usually smaller with typically 100-200 rooms. They tend to be located close to main shopping streets or tourist attractions.

On 4 May 2007, the Group agreed to acquire from CCS its rights to the art'otel brand, a company controlled by the brand's founder. The acquisition is conditional on Admission and CCS will, on Admission, be issued Shares with an aggregate market value of €4 million calculated at the Placing Price in consideration for the transfer of the brand. CCS will have an exclusive right to develop new hotels under the art'otel brand in Austria, France, Germany, Italy, Spain and Switzerland. Any such hotel will be managed by the Group or subject to franchise arrangements.

The following table summarises the key features of the Group's two brands:

Brand:	Park Plaza	art'otel
		
Typical size:	<ul style="list-style-type: none"> • 150–500 rooms 	<ul style="list-style-type: none"> • 100–200 rooms
Concept:	<ul style="list-style-type: none"> • Fresh, design-led properties offering a blend of technology and comfort • "Full service" four star 	<ul style="list-style-type: none"> • Fusion of travel, architecture and contemporary art • Boutique hotel
Target customers:	<ul style="list-style-type: none"> • Business and leisure travellers 	<ul style="list-style-type: none"> • Professionals and leisure travellers that live "artfully"
Location:	<ul style="list-style-type: none"> • Key European leisure and business destinations 	<ul style="list-style-type: none"> • European leisure and business destinations
Accessibility:	<ul style="list-style-type: none"> • In the heart of business and tourist centres • Close to major transportation hubs 	<ul style="list-style-type: none"> • Easy access to transport links • Close to main shopping streets and cultural attractions
Facilities:	<ul style="list-style-type: none"> • State-of-the-art facilities in all guestrooms • Excellent conference facilities 	<ul style="list-style-type: none"> • "art rageous" service (open and friendly) • Collection of design and original artwork

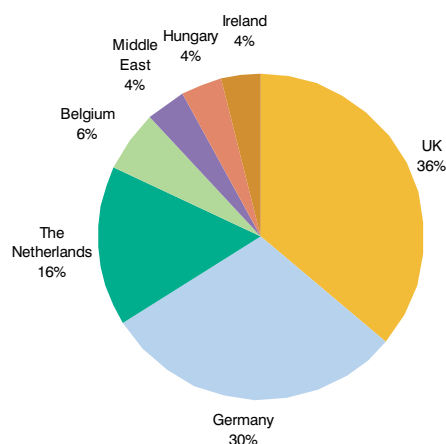
7. Hotels in operation, committed projects and pipeline

Hotels in operation and committed projects

The Group has 24 hotels in operation in seven countries, comprising 4,128 rooms and five committed projects comprising 1,843 rooms all of which are expected to be open by the end of 2010.

Analysis of the Group's current portfolio (based on 4,128 rooms)

By country



The following table summarises the Group's portfolio of currently operating hotels and committed projects:

Current portfolio of hotels and committed projects

Hotel	Location	Interest	Percentage ownership interest	Number of rooms	Total market value (€ million) ⁽¹⁾	Pro rata market value (€ million) ⁽²⁾	Year of opening/planned opening
Current portfolio							
UK and IRELAND							
Park Plaza Sherlock Holmes	London	Long leasehold	55%	119	25	14	2001
Park Plaza Victoria	London	Freehold	50%	299	121 ⁽⁴⁾	60 ⁽⁴⁾	2001
Park Plaza Riverbank	London	Long leasehold	55%	460 ⁽⁵⁾	218	120	2005
Park Plaza Leeds ⁽³⁾	Leeds	Managed	—	187	—	—	2003
Park Plaza Nottingham ⁽³⁾	Nottingham	Managed	—	178	—	—	2002
Park Plaza Cardiff	Cardiff	Franchised	—	129	—	—	2005
Park Plaza Belfast	Belfast	Franchised	—	106	—	—	2004
Park Plaza Tyrellstown	Dublin	Franchised	—	155	—	—	2006
Sub-total				1,633	364	194	
GERMANY							
Park Plaza Prenzlauer Berg Berlin .	Berlin	Operating lease	—	155	—	—	2000
art'otel Berlin Mitte	Berlin	Operating lease	—	109	—	—	2000
art'otel Berlin City Center West . .	Berlin	Operating lease	—	91	—	—	2001
Park Plaza Wallstreet Berlin	Berlin	Operating lease	—	167	—	—	2006
art'otel Ku'damm	Berlin	Operating lease	—	133	—	—	2006
art'otel Potsdam	Berlin	Franchised	—	123	—	—	2006
art'otel Dresden	Dresden	Operating lease	—	174	—	—	2000
Park Plaza Dresden	Dresden	Operating lease	—	148	—	—	2000
Park Plaza Trier	Trier	Franchised	—	150	—	—	2003
Sub-total				1,250	—	—	
BENELUX							
Park Plaza Victoria Hotel	Amsterdam	Freehold	50%	306	103	52	1993
Park Plaza Vondel	Amsterdam	Freehold	100%	143	30	30	2006
Park Plaza Utrecht	Utrecht	Freehold	50%	120	23	12	1995
Park Plaza Mandarin	Eindhoven	Freehold	100%	102	15	15	1989
Park Plaza Astrid	Antwerp	Managed	—	229	—	—	1997
Sub-total				900	171	109	
OTHER							
art'otel Budapest	Budapest	Operating lease	—	165	—	—	2000
Park Plaza Yamit	Tel Aviv	Franchised	—	180	—	—	1994
Sub-total				345	—	—	
TOTAL				4,128	534	302	

Hotel	Location	Interest	Percentage ownership interest	Number of rooms	Total market value (€ million) ⁽¹⁾	Pro rata market value (€ million) ⁽²⁾	Year of opening/planned opening
Committed projects							
Park Plaza County Hall London . .	London	Managed	—	395	—	—	2007
Art'otel Cologne	Cologne	Operating lease	—	220	—	—	2010
Park Plaza Victoria extension . . .	Amsterdam	Freehold	50%	100 ⁽⁶⁾	31 ⁽⁷⁾	16 ⁽⁷⁾	2009
Park Plaza Nuremberg ⁽⁸⁾	Nuremberg	Freehold	100%	175	—	—	2009
Park Plaza Westminster Bridge project	London	Managed	33% ⁽⁹⁾	953	125 ⁽¹⁰⁾	42 ⁽¹¹⁾	2010
TOTAL				1,843	156	57	
GRAND TOTAL				5,971	690	359	

Notes:

- (1) Based on independent appraisal valuation performed by Savills as of 5 June 2007.
- (2) Independent appraisal valuation by Savills multiplied by the Group's percentage ownership interest in the company that owns the hotel.
- (3) The Group has an option to acquire a 100% interest in the companies which own the long-leasehold interests in these hotels (for further details see section 12.2 of Part XI of this document headed "Related party transactions—Option agreement relating to Park Plaza Leeds and Park Plaza Nottingham").
- (4) Includes the value attributable to Victoria Pub being £2.2 million (approximately €3.2 million).
- (5) Includes suites at Plaza on The River.
- (6) 100 rooms to be added to Park Plaza Victoria Amsterdam, subject to zoning consent, expected to become operational in 2009.
- (7) Savills has appraised the value of the Park Plaza Victoria Amsterdam including the proposed extension thereto (including proposed retail units) when open, at €134 million and the value of the Park Plaza Victoria Amsterdam without the proposed extension at €103 million. The extension is subject to zoning consent.
- (8) The Park Plaza Nuremberg has not been valued because, although the Group has contracted to acquire this hotel, it has not yet paid the purchase price to the seller.
- (9) The Group's interest is in the development phase of this project.
- (10) Market value of £85 million (approximately €125 million) as estimated by Savills as of 5 June 2007.
- (11) The market value appraised by Savills does not take account of the corporation tax which will arise on disposal of the units. The total book value of this project in Marlbray's accounts is £40.8 million but the base value for corporation tax purposes may be higher or lower than this amount.

The aggregate market value of the Group's current properties in which it has ownership or co-ownership interests together with its committed projects was appraised by Savills as of 5 June 2007 at €690 million (for further details of this valuation and the assumptions on which it is based see the valuation report set out in Part X of this document). The value attributable to the Group's interests in these properties, calculated in accordance with the methodologies described in the table above, was €359 million. Only two of the Group's five committed projects, the Park Plaza Westminster Bridge project and the extension to the Park Plaza Victoria Amsterdam, were taken into account when preparing this valuation. A description of the properties in the Group's current portfolio is set out in Part II of this document.

The Park Plaza Westminster Bridge project is a 953* room apart-hotel being developed close to Waterloo railway station. This hotel is being designed and built for a fixed price by a member of the Red Sea Group. The developer, Marlbray (in which the Group holds a 33% stake), has secured bank financing for an amount in excess of the expected costs of the project and this facility will be repaid out of the pre-sales of apartments. Euro Sea has given two guarantees to the bank in respect of this project. The first is a guarantee of up to £6 million in respect of any cost overrun in connection with the completion of the project and the second is a guarantee of the obligations of Marlbray under the facility agreement, both of which have been given with the other shareholders of Marlbray. There is a limit on the liability of each of the Marlbray shareholders under the second guarantee, being an amount equal to approximately £9.7 million less the amount which is equal to the sum of 20% of: (a) the total aggregate purchase price of all unit sale agreements entered into after the date of such guarantee in relation to which a deposit of not less than 25% of the purchase price is payable by the purchaser; and (b) 50% of the aggregate purchase price of all unit sale agreements entered into after the date of such guarantee in relation to which a deposit of not less than 15% (but less than 25%) of the purchase price is payable by the purchaser. The shares of Marlbray owned by Euro Sea are charged to the bank by way of security for these obligations. For further

* Marlbray has applied to amend the planning permission so as to permit an additional floor to this project which would increase the number of rooms to 1,037.

details see section 11.5 of Part XI of this document headed “Financing facilities—Bank Hapoalim Facility—Marlbray facility agreement”.

The rooms or apartments are being pre-sold on an individual basis to private investors. As of the Latest Practicable Date, 75% of the apartments had been pre-sold, contracted to pre-sell or were under offer. Savills has appraised the value of the Park Plaza Westminster Bridge project as at 5 June 2007 as £85 million or €125 million. The value of the Group’s stake in the Park Plaza Westminster Bridge project is €42 million (this value does not take into account the corporation tax charge which will arise when the underlying apartments are sold). One of the other shareholders in Marlbray has guaranteed to the purchasers of the apartments that they will receive a 6% annual yield on their investment for the five years from the date of completion of the sale. The Group has agreed, subject to certain limitations, to indemnify this shareholder for one-third of any liability arising under this guarantee (for further details see section 10.10 of Part XI of this document headed “Material contracts—Shareholders agreement relating to Marlbray”).

The Group also has a 25-year contract to manage the Park Plaza Westminster Bridge project commencing when this hotel opens (expected to be in 2010). This management contract can be terminated without compensation by 12 months’ notice at any time after the fifth anniversary of the opening if certain RevPAR and gross operating profit benchmarks are not met and the Group fails to make up the difference.

The extension of the Park Plaza Victoria Amsterdam will comprise 100 additional rooms and retail space. This project is subject to obtaining zoning approval. According to Savills valuation as at 5 June 2007, the extension, when open will increase the value of the Park Plaza Victoria Amsterdam by €31 million to a total value of €134 million. The pro rata value of the Group’s stake in this increase is €16 million.

Territorial franchise arrangements and pipeline

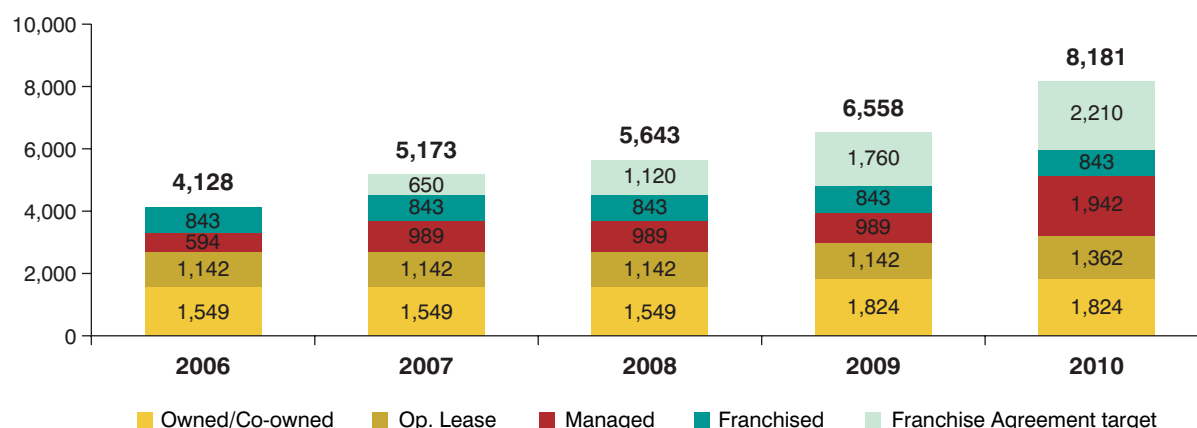
One of the Group’s key objectives is to expand its hotel network. The Directors intend to achieve this by identifying and developing new hotel opportunities in target markets which complement the Group’s current portfolio. The Group’s strategy is to focus on the following target markets: European gateway cities (such as Paris, Rome, Milan, Madrid, Barcelona, Lisbon, Hamburg and Munich); Central and Eastern European cities (including Vienna, Prague, Moscow, St. Petersburg, Bucharest, Sofia, Istanbul, Vilnius, Tallin and Riga), cities in MENA (including in Morocco, Egypt, the Gulf States), and Scandinavia.

The Group has entered into three exclusive territorial franchise agreements in relation to the Park Plaza brand covering Northern Ireland, the Republic of Ireland and Morocco, Egypt and the Gulf States. Under these agreements, the franchisee is obliged to open agreed numbers of hotels within specified periods of time. Failure to meet these targets entitles the Group to terminate the exclusivity of such arrangements. The following table summarises the hotels to be opened pursuant to such arrangements:

Territory	Brand	Target number of hotels	Target number of rooms	Contracted opening period
Northern Ireland and the Republic of Ireland	Park Plaza	3	410	2007–2009
Morocco, Egypt and the Gulf States	Park Plaza	9	1,800	2007–2010
Total		12	2,210	

As illustrated by the chart below, on the basis of the currently committed projects and the targeted number of rooms under signed territorial franchise arrangements, the number of hotel rooms in the Group’s portfolio is expected to grow from 4,128 rooms as at 31 December 2006 to a target 8,181 rooms by the end of 2010. The figures include 2,210 rooms in Northern Ireland, the Republic of Ireland and the MENA region. The figures for 2008, 2009 and 2010 under the territorial franchise agreements are targets only. If the targets are not met, the sub-licences may be terminated. The figures also assume the receipt of certain planning and other development consents which are being sought but which have not yet been obtained.

Room growth under committed projects and signed territorial franchise arrangements



On the basis of the currently committed projects and the target openings under the signed territorial franchise arrangements by the end of 2010, the Group expects its three largest markets (in terms of number of hotel rooms) to be the United Kingdom, MENA and Germany. These are expected to comprise 2,826, 1,800 and 1,645 rooms respectively (accounting for approximately 35%, 22% and 20% respectively of the Group's portfolio).

In addition, the Group has an identified pipeline of opportunities in its target markets many of which are in an advanced stage of negotiation, and has a team of employees dedicated to identifying further opportunities.

8. Food and beverage operations

Sales of food and beverages are an important revenue stream for the Group, accounting for approximately one-third of the Group's total revenues in the year ended 31 December 2006. A large part of this revenue comes from food and beverages sales to conference guests and banquets. In addition, food and beverage revenues arise from the room service and on-site restaurants and other outlets in the Group's hotels. Management is seeking to drive growth of these revenues by continuing to increase the amount of conference trade and banqueting, as well as expanding its award winning "Chino Latino" restaurants and "Mix Espresso Gourmet" coffee shops to other Park Plaza hotels within the portfolio.

9. Customers/Sources of business

The Group's customer base is a mixture of business and leisure customers. Although business customers tend to pay higher room rates than leisure customers, the Group seeks to retain a balance of business and leisure customers, as leisure customers tend to occupy rooms at times when business customers do not such as at weekends and on public holidays, thereby maximising the Group's occupancy rates and revenues. The Group also seeks to negotiate preferential rates with major corporate customers and currently has a number of such arrangements in place with major European companies.

The Group originates business from various sources. The Group has ongoing arrangements in place with a number of tour operators in respect of its Park Plaza hotels. Although room rates under such arrangements tend to be lower than for other customers, these arrangements help to maintain occupancy rates and ensure a steady source of revenue. In addition, many of the Group's customers are individuals who book directly with the hotel or through intermediaries such as travel agents, corporate entities or internet booking engines. As a result of the Group's relationship with Carlson, it has favourable arrangements with many of the leading internet booking engines.

10. Sales, marketing and public relations

The Group's sales, marketing and public relations efforts are focused on enhancing its brands in the markets in which it operates.

Carlson Central Reservation System

The Group's partnership with Carlson provides it with access to state-of-the-art reservation and distribution systems, which during the year ended 31 December 2006 accounted for approximately 30% of

the Group's room revenues. The Carlson Central Reservation System provides a central repository of reservations, room availability and rates—this database is also central to the online reservation system supporting the Park Plaza website. CRS is also linked to e-commerce sites such as Expedia and Travelocity, which ensures real time information availability for prospective clients. For call centre operations, Carlson US reservations employs a staff of over 60 across three time zones (Omaha, Dublin and Sydney), providing 24-hour reservation support to clients for all the hotels under its umbrella. The arrangements also give the Group access to Carlson's clients and vice versa (please refer to section 10.3 of Part XI of this document headed "Material contracts—The Territorial Licence Agreement"). The Group participates in Carlson's guest loyalty programme, Goldpoints Plus, which provides a marketing database of over one million customers worldwide. In a global market where major corporations are consolidating their supplier relationships, being part of a global network ensures that the Group's hotels remain within corporate travel programmes and improves the Group's positioning with global travel consortia. The Carlson network has a cross-selling strategy at all customer touch points for the different brands within the Carlson family. This includes reservation call centres, global distribution system point of sale, the brand websites managed by Carlson, the network of on-property sales staff and Carlson's own global sales force.

The Carlson marketing and reservation services cover both the Park Plaza and art'otel brands, which are both marketed through Carlson global reservation system.

In-house marketing

The Group also has an experienced in-house marketing team with over 100 employees focusing on the Group's key markets. Each member of the team focuses on particular areas of the Group's business or target customer group and team members receive regular training to improve their selling skills. The Group's sales representatives regularly attend local and global trade shows and organise sales missions showcases, workshops and familiarisation trips. The Group also regularly stages PR events.

In order to develop relationships, the Group seeks to negotiate preferred rates with major corporate customers and preferred status arrangement with referral partners such as airlines or car hire companies. Designated key account managers are assigned to major customers in order to maintain and develop relationships.

Increasingly the Group focuses on the internet as a marketing platform, in particular through the development of the parkplaza.com and artotel.com websites, both of which provide user friendly reservation systems.

11. Effective tax rate

The Group has been established with a view to achieving an efficient tax structure. Based on the past performance of the Group and the Company's business model, the Directors believe that it is reasonable to assume that the estimated consolidated effective cash tax rate (tax charge divided by profit before depreciation and amortisation) of the Group for the years ended 31 December 2007 and 2008 will be below 10%.

12. Relationship with key Shareholders

The Group will result from the combination on Admission of the hotel management and operating interests of the PPHE Group with hotel assets previously owned by the Red Sea Group.

Following Admission, Euro Plaza (a member of the Red Sea Group, which is ultimately controlled by the Descendants' Trusts) and Molteno (a member of the PPHE Group, which is ultimately controlled by the Princeton Trust) will own approximately 42.4% and 18.3% respectively of the Enlarged Share Capital (assuming no exercise of the Over-allotment Option). As further described in section 10.1 of Part XI of this document headed "Material contracts—The Placing Agreement and lock-up and stock lending arrangements", both Euro Plaza and Molteno have agreed with Morgan Stanley, subject to certain customary exceptions, not to dispose of any Shares for a period of 12 months from the date of Admission. The trustee of the Princeton Trust, the ultimate controlling shareholder of Molteno, has agreed with Euro Plaza that for so long as their combined interests in the Company are not less than 38% and the Red Sea Group's interest in the Company is at least 26.5% of the issued share capital, the Princeton Trust will vote its Shares at general meetings of Shareholders in a consistent manner with the votes cast by the Red Sea Group.

Relationship Agreements

On 28 June 2007 the Company entered into two Relationship Agreements with each of Euro Plaza and Molteno. Under the agreements each of Euro Plaza and Molteno has agreed that all arrangements between it and the Group will be on arms' length terms and that the Board will operate independently of Euro Plaza and Molteno and all decisions taken by the Board will be made for the benefit of Shareholders as a whole. Pursuant to the agreements, Euro Plaza has the right, for so long as it controls at least 30% of the issued share capital of the Company, to appoint two Directors and to one Director where its percentage holding is between 15% and 30% and Molteno has the right to appoint one Director for so long as it controls at least 15% of the issued share capital of the Company. Whilst Eli Papouchado and Boris Ivesha are members of the Board; they will be deemed as appointees of Euro Plaza and Molteno respectively. Euro Plaza has granted the Group a right of first refusal to manage all hotels situated within the territory governed by the Territorial Licence Agreement at the date of Admission and acquired by Euro Plaza or any of its associates following Admission. This right does not apply to any hotels owned by Euro Plaza or any of its associates within the territory governed by the Territorial Licence Agreement at the date of Admission prior to Admission or that were subject to prior agreements in existence at Admission. Each of Euro Plaza and Molteno has also agreed not to solicit senior employees or officers of the Group.

13. Competition

The hotel business is highly competitive and competition is usually specific to individual markets. The Group's hotels compete with other brands on a number of factors, including location, level of service, quality of accommodation, room rates and conference and restaurant facilities. In some markets in which the Group operates, its competition includes unbranded design hotels, particularly for the Group's art'otel properties. In various markets the Park Plaza brand competes with the offering of Marriott, Radisson, Novotel and Hilton among others. The Group is confident that its core strengths and strategy (further details of which are set out in section 3 and section 4 of this Part I headed "Core strengths" and "Strategy", respectively) will allow it to compete successfully in its target markets.

14. Directors, senior management and organisational structure

Directors

The Directors on Admission will be:

Eli Papouchado (69)—Non-executive Chairman

Eli Papouchado is the founder of the Red Sea Group and has previously acted as the 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, the milestone Taba Hotel and many others. Mr. Papouchado was involved in the development of hundreds of thousands of square meters 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.

Boris Ivesha (61)—Chief executive officer

Boris Ivesha has been the President of PPHE 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 Carlton Hotel in Israel. Mr. Ivesha established the Yamit Hotel in 1984, served as the hotel's President and brought the Park Plaza 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.

Chen Moravsky (36)—Chief financial officer

Chen Moravsky was Financial Director of the Red Sea Group before joining the Group 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.

Elisha Flax (45)—Non-executive Director

Elisha Flax is a real estate entrepreneur engaged in various real estate 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 US 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.

Kevin McAuliffe (50)—Non-executive Director

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 as Chief Executive of Ansbacher, a Guernsey bank and trust company. 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 Guernsey Welfare Service Limited and UK Care No. 1 Limited.

Nigel Jones (45)—Non-executive Director

Nigel Jones was the chief executive officer of ComProp Limited, an AIM listed property company now part of CI Traders Limited. Mr. Jones's directorships include UK Care No. 1 Limited and Matrix Property Fund Management (Guernsey) Limited. In 1995, Mr. Jones founded Jones & Partners Limited. Mr. Jones has been a member of the Royal Institution of Chartered Surveyors since 1989.

Senior management

The following senior management together with the Executive Directors mentioned above will have responsibility for the Group's operations, for reviewing the Group's strategy and policy and for monitoring its implementation:

Erik van Kessel (44)—Chief operations officer

Erik van Kessel joined PPHE B.V. on 1 October 2006 and is in charge of operations. Mr. van Kessel gained extensive experience whilst at NH Hoteles, where he was in charge of NH Hoteles Germany (54 hotels). Prior to this, Mr. van Kessel spent 10 years with the Golden Tulip hotel chain in The Netherlands, Switzerland and the Caribbean. Mr. van Kessel is a graduate of the Hague Hotel School.

Micha Polak (54)—Chief development officer

Micha Polak has been Senior Vice President and Head of Business Development of PPHE B.V. since 2003. Mr Polak's extensive experience in the hotel industry derives from having worked for over 18 years at the Hilton Hotel in Tel Aviv, Israel. In 1993 Mr Polak was appointed General Manager of the Victoria Hotel in Amsterdam and became responsible for all of the Group's hotels in the Benelux region in 1996 and in Germany in 2000.

Kurt Kuen (61)—Vice president, head of UK operations

Kurt Kuen has been Vice President for the UK operations of Park Plaza Hotels since he joined the company in 2000. His extensive experience in the hotel business ranges over more than 35 years in four different countries. Mr Kuen has been General Manager, amongst others, of the award winning Gosforth Park Hotel in Newcastle and the Tower Thistle Hotel in London.

Edwin Wijgergangs (42)—Vice president, head of sales and distribution

Edwin Wijgergangs has been Director of Sales and Distribution for Park Plaza Hotels Europe B.V. since 2003, having joined the company in 1993. Mr Wijgergangs started his career in the Marketing Department of Amsterdam's Tourist Board, and later joined PPHE as Sales Manager for Victoria Hotel Amsterdam. In 1995 he was promoted to Regional Sales Manager for Benelux and later became Director of Distribution for Europe in 2001 and Director of Sales and Distribution in 2003.

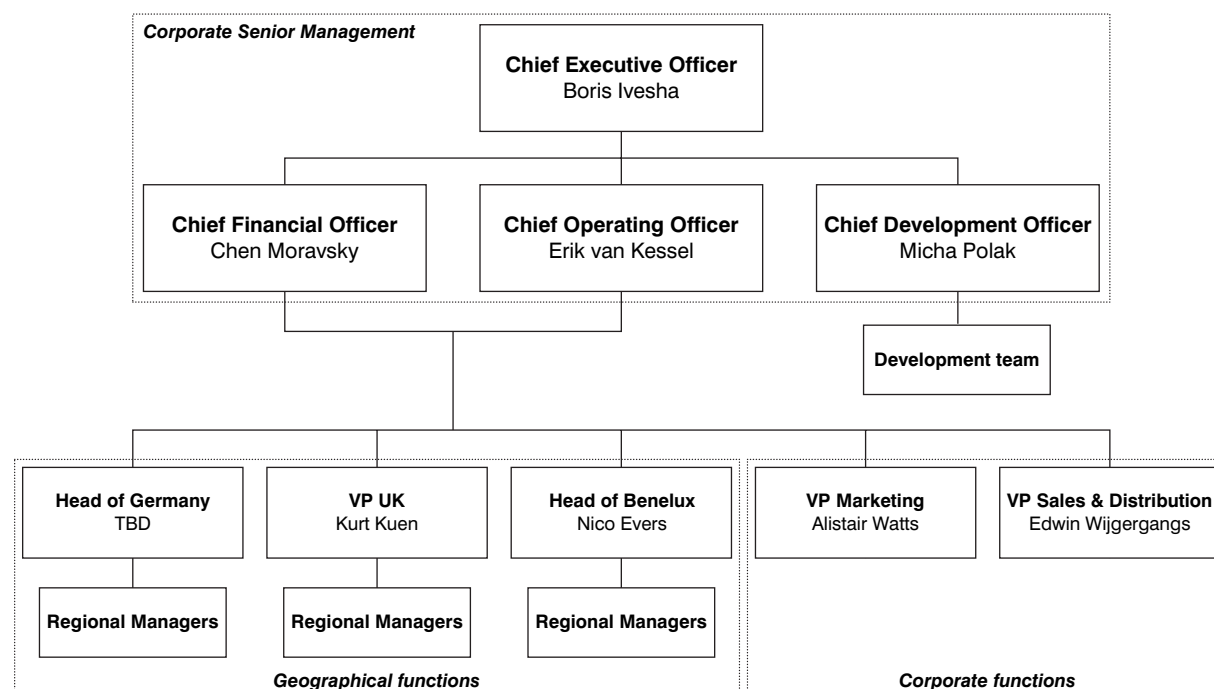
Alistair Watts (33)—Vice president, head of marketing

Mr Alistair Watts joined the Group in June 2006. He is responsible for implementing the Group's marketing strategy. Mr Watts' background is in hotel sales, marketing and distribution. He began his career with Radisson Edwardian Hotels and has also worked for online reservation system, WorldRes.com, and the marketing consortium, Preferred Hotel Group.

Nico Evers (39)—Head of Benelux

Nico Evers joined the Group as head of the Benelux team as of 2 April 2007. Mr. Evers has a strong experience in hotel management in an international setting as he held various management positions in four star hotels in The Netherlands and Switzerland.

The Group's management structure is illustrated by the following chart:



15. Corporate governance

The Directors are committed to maintaining a high standard of corporate governance and intend to comply with those aspects of the Combined Code which they consider appropriate, taking into account the size of the Company and the nature of its business.

The Combined 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 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 (of which Euro Plaza, the Company's largest Shareholder, is a part) and is not therefore independent of the Company.

The Board will have responsibility for the Group's strategic and financial policies and will meet regularly. All the Directors have access to the advice and services of the Company Secretary and will be able to gain access to external independent advice should they wish to do so.

An appropriate balance of executive and non-executive members of the Board will be maintained and the Board will be supplied with regular and timely information concerning the activities of the Group in order to enable it to exercise its responsibilities and control functions in a proper and effective manner.

The Company has also adopted a share dealing code, based on the Model Code (as set out in Annex 1R to Chapter 9 of the Listing Rules of the UK Listing Authority) for Directors, persons discharging managerial responsibilities, and relevant employees which is appropriate for an AIM quoted company and is in accordance with Rule 21 of the AIM Rules.

Board committees

In accordance with best practice for corporate governance, the Group has established, amongst other committees, the following committees in order to carry out work on behalf of the Board: an audit committee, a remuneration committee and a nominations committee.

Audit Committee

The Audit Committee will comprise Kevin McAuliffe (who will chair the committee) and one other independent non-executive Director and will meet at least three times a year. The committee will assist 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. It will also assist the Board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place. The auditors will be able to attend its meetings and will provide reports to the committee as required, as will the Company Secretary who will have direct access to the chairman of the committee.

Remuneration Committee

The Remuneration Committee will comprise Kevin McAuliffe (who will chair the committee) and one other independent non-executive Director. The committee will advise the Board on an overall remuneration policy and will meet at least twice a year. The committee will also determine, on behalf of the Board, and with the benefit of advice from external consultants, the remuneration packages of the executive Directors. The Board will determine the remuneration of the non-executive Directors.

Nominations Committee

The Nominations Committee will comprise Elisha Flax (who will chair the committee), and two other independent non-executive Directors. Where possible, all non-executive Directors should be present. This committee will carry out the selection process for the appointment of candidates to the Board and propose names for approval by the full Board.

Investment Committee

The Investment Committee will be chaired by Eli Papouchado and also comprise the Company's Chief Executive Officer, Chief Financial Officer and an independent non-executive Director. The committee will assess and approve new projects in accordance with an agreed approval process. The committee will also be responsible for carrying out post investment appraisals.

Operational Committee

The Operational Committee will be chaired by Eli Papouchado and also comprise the Company's Chief Executive Officer, Chief Financial Officer and a non-executive Director. The committee will develop and implement the overall operations strategy. The committee will also determine the framework of the operational board of Euro Sea and monitor its activities.

16. Operational structure

The Group's operational structure reflects its current geographical presence with offices in: London, responsible for the Group's business in the UK and the Republic of Ireland; Berlin, responsible for the Group's business in Germany and Hungary; and Amsterdam, responsible for the Group's business in the Benelux countries. Each office provides operations, finance, sales and distribution, human resources, marketing, procurement and IT services to the hotels in its region.

The Board will following Admission be responsible for approving the Group's business plan and budget and the operational committee will be responsible for preparing a strategy to execute the business plan according to the budget. Aside from the services provided by the regional offices, management of individual hotels and implementation of the business plan for those hotels is the responsibility of the relevant general manager.

17. Employees

As of 31 May 2007, the Group employed 1,373 people. The following table reflects the approximate number of Group employees by country/region:

Country	Approximate number of employees as at 31 May 2007 ⁽¹⁾
UK	645
Germany and Hungary	344
Benelux	384
Total	<u>1,373</u>

Note:

(1) This does not include employees at franchised hotels or hotels where the Group only has a management interest, as these are employed by the third-party owner.

As far as the Group is aware, none of the Group's employees are members of trade unions although a works council has been established in The Netherlands. The Group has not experienced any strikes or other significant labour disputes in the last three financial years. In addition to salary and other benefits in kind, the Group contributes to certain "defined benefit" type schemes for certain of the Group's employees. These arrangements vary from country to country.

18. Reasons for the Placing and use of proceeds

The key reasons for the Placing are:

- to strengthen the Company's balance sheet and thereby increase its financial flexibility to pursue incremental growth opportunities;
- to improve access to international capital through a public listing of the Shares; and
- to enhance the visibility of the Group, by way of increased press coverage and interest in the Company as a publicly listed company, thereby increasing brand awareness and access to future hotel transactions.

The net proceeds from the Placing are expected to be approximately £78.9 million assuming no exercise of the Over-allotment Option, after deduction of commissions, fees and costs totalling approximately £6.1 million payable by the Group.

The Group intends to use approximately 90% of the net proceeds for the Placing to finance the expansion of its portfolio of hotels, through the acquisition and development of properties. Of this amount, €17 million will be used to finance the acquisition and planned renovation of the Park Plaza Nuremberg and €4.5 million will be used to finance the conversion of the proposed extension to the Park Plaza Victoria Amsterdam. Approximately 10% of the net proceeds from the Placing will be used to repay outstanding debt.

19. Dividend policy

As a matter of Guernsey law, a company may only distribute dividends to shareholders out of profits available for such purpose.

The Company intends to retain its earnings for use in, and to grow, the business and therefore does not envisage paying any dividends for at least the first 18 months following Admission. The Company will keep this policy under review in light of the growth opportunities available to the Group.

20. Administration and secretarial arrangements

C.L. Secretaries Limited has been appointed as Administrator and Company Secretary, pursuant to an Administration and Secretarial Agreement. C.L. Secretaries Limited will be responsible for general secretarial functions required by the Companies Law, ensuring that the Group complies with its continuing obligations as a company traded on AIM and handling the Group's general administrative functions as set out in the Administration and Secretarial Agreement. Further details of the Administration and Secretarial Agreement are set out in section 10.14 of Part XI of this document headed "Material contracts—Administration and Secretarial Agreement".

21. Takeover Code

The Takeover Code is issued and administered by the Panel on Takeovers and Mergers (the "Panel"). The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Directive on Takeover Bids (2004/25/EC) (the "Directive"). Following the implementation of the Directive by the Takeovers Directive (Interim Implementation) Regulations 2006, the rules set out in the Takeover Code which are derived from the Directive now have a statutory basis.

The Takeover Code applies to all takeover and merger transactions, however effected, where the offeree company has its registered office in the UK, the Isle of Man or the Channel Islands and which are considered by the Panel to have their place of central management and control in the UK, the Isle of Man or the Channel Islands. It is assumed therefore that the Takeover Code will apply to the Company from Admission.

Under Rule 9 of the Takeover Code, where (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carries 30% or more of the voting rights of a company subject to the Takeover Code, or (b) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30% but not more than 50% of the voting rights of such a company, if such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, then, except with the consent of the Panel, he, and any person acting in concert with him, must make a general offer in cash to the other shareholders to acquire the balance of the shares not held by him and his concert parties.

An offer under Rule 9 of the Takeover Code must be in cash and at the highest price paid within the preceding 12 months for any Shares by the person required to make the offer or any person acting in concert with him.

Were the Panel to determine that the Company has its place of central management and control outside the UK, the Isle of Man or the Channel Islands, the Takeover Code would not apply to the Company. Accordingly, the Company has incorporated certain provisions into the Articles in order to regulate certain acquisitions of Shares so as to provide Shareholders with protections similar to certain of those contained in the Takeover Code in such circumstances. These provisions are summarised in section 5.17 of Part XI of this document headed "Memorandum and articles—Takeover provisions".

In summary, the Articles prohibit a person and his concert parties from acquiring control of the Company without first making an offer to all Shareholders to acquire their Shares at a price which is not less than the highest price paid by that person or its concert parties for a Share in the 12 month period preceding that offer.

In the event that the Board believes that any of the above circumstances has occurred, it may determine that some or all of the Shares acquired in breach of the Articles will not carry any voting rights or right to any dividend or other distribution for a particular period of time or require that such Shares are sold.

In such circumstances, as well as the takeover provisions included in the Articles, it is the Directors' current intention (subject to applicable law and their fiduciary duties) that, in the event of a takeover offer for the Shares, to:

- treat Shareholders equally;
- not provide information to some shareholders which is not provided to all Shareholders (other than information provided by the Company in confidence to a bona fide potential offeror or vice versa);
- not take any action to actively frustrate a bona fide takeover offer without shareholder consent; and
- disregard their personal or family shareholdings.

22. Shareholder notifications of interests

As a company incorporated in Guernsey, the Company is not subject to the provisions of the Disclosure and Transparency Rules and, consequently, Shareholders would not ordinarily be subject to any requirement to disclose to the Company the level of their interests in Shares. However, in accordance with the Guidance to AIM Rule 17 for companies incorporated outside Great Britain whose shares are admitted to trading on AIM, the Company has elected to incorporate certain provisions of the Disclosure and Transparency Rules and the 2006 Act into the Articles, further details of which are set out in section 5.16 of Part XI of this document headed “Memorandum and articles—Disclosure of interests in Shares and failure to disclose interest in Shares”.

23. Effect of Guernsey domicile

The Company is a Guernsey incorporated company. Guernsey law and practice relating to companies is not the same as English law applicable to a public limited company incorporated under the 2006 Act, and a number of differences under Guernsey law exist, including the lack of statutory pre-emption rights on issues of Shares for cash. The Company has therefore incorporated such rights into the Articles. These rights may, however, be disapplied by way of a special resolution of the Company. Further details of these pre-emption rights are set out in section 5.6 of Part XI of this document headed “Memorandum and Articles—Pre-emption rights”.

24. Taxation

Information regarding UK and Guernsey taxation in relation to the Admission and the Placing is set out in sections 13 and 14 of Part XI of this document headed “United Kingdom taxation” and “Guernsey taxation”, respectively. These details are, however, intended only as a general guide to the current tax position under UK and Guernsey taxation law. Any potential investor in any doubt as to its tax position should consult an appropriate independent financial adviser immediately.

Further information

Your attention is drawn to the additional information in Parts II to XI of this document.

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PART II

DETAILED OVERVIEW OF THE GROUP'S HOTEL PORTFOLIO AND COMMITTED PROJECTS

The selected financial and operating data shown in this Part II has been extracted from the Group's unaudited management accounts and may therefore not be comparable to the Group's audited results over the periods shown or to be expected for the full 2007 financial year or any future period.

The following table and the tables for the individual hotels in this Part II summarise the Group's current portfolio and committed projects and include operating data for the owned/co-owned, operated and managed hotels. Operating data is not presented for the franchised hotels because these are operated by third parties. Where the Group only has a management interest in a hotel EBITDA and EBITDA margin are not shown as the Group's revenues from these hotels are only determined by reference to revenues and gross operating profit.

The Group's current portfolio and committed projects

Country	Hotel	Operating structure	Location	No. of rooms	Opening date	Ownership interest	For the year ended 31 December 2006 ⁽¹⁾				For the five months ended 31 May 2007 ⁽¹⁾			
							Occupancy (%)	ADR (€)	RevPAR (€)	GOP ⁽²⁾ (€'000)	Occupancy (%)	ADR (€)	RevPAR (€)	GOP ⁽²⁾ (€'000)
							(unaudited)				(unaudited)			
CURRENT PORTFOLIO														
OWNED/CO-OWNED														
UK	Park Plaza Riverbank	Co-owned	London	394	2005	55%	76%	144	109	11,326	79%	145	115	4,464
UK	Plaza on the River	Co-owned	London	66	2005	55%	72%	268	192	3,201	75%	255	191	1,251
UK	Park Plaza Victoria	Co-owned	London	299	2001	50%	88%	149	131	10,275	87%	161	141	4,533
UK	Park Plaza Sherlock Holmes	Co-owned	London	119	2001	55%	86%	162	140	3,771	87%	171	148	1,575
NL	Park Plaza Victoria Amsterdam	Co-owned	Amsterdam	306	1993	50%	95%	143	137	9,051	94%	144	136	3,788
NL	Vondel Park Plaza	Owned	Amsterdam	143	2006	100%	81%	94	76	2,118	77%	94	72	541
NL	Park Plaza Utrecht	Co-owned	Utrecht	120	1995	50%	83%	96	79	2,590	80%	112	89	1,328
NL	Mandarin Park Plaza	Owned	Eindhoven	102	1989	100%	78%	92	72	1,766	84%	101	85	818
OPERATING LEASE														
GER	art'otel Dresden	Op. Lease	Dresden	174	2000	—	81%	66	54	2,081	72%	69	50	751
GER	Park Plaza Wallstreet	Op. Lease	Berlin	167	2006	—	62%	86	53	1,341	72%	77	56	712
HUN	art'otel Budapest	Op. Lease	Budapest	165	2000	—	81%	86	70	3,020	72%	79	57	879
GER	Park Plaza Prenzlauer Berg Berlin	Op. Lease	Berlin	155	2000	—	73%	44	32	725	72%	44	32	227
GER	Park Plaza Dresden	Op. Lease	Dresden	148	2000	—	72%	51	37	1,221	64%	55	35	381
GER	art'otel Ku'damm	Op. Lease	Berlin	133	2006	—	N/A ⁽³⁾	N/A ⁽³⁾	N/A ⁽³⁾	N/A ⁽³⁾	62%	54	33	289
GER	art'otel Berlin Mitte	Op. Lease	Berlin	109	2000	—	81%	86	70	1,383	75%	78	58	405
GER	art'otel Berlin City Centre West	Op. Lease	Berlin	91	2001	—	83%	73	60	1,036	73%	71	51	328
MANAGED														
BEL	Astrid Park Plaza	Managed	Antwerp	229	1997	—	67%	93	62	2,584	66%	106	70	1,157
UK	Park Plaza Leeds	Managed	Leeds	187	2003	— ⁽⁴⁾	67%	96	64	2,260	69%	97	67	989
UK	Park Plaza Nottingham	Managed	Nottingham	178	2002	— ⁽⁴⁾	68%	93	64	2,308	68%	96	65	822
FRANCHISED														
UK	Park Plaza Cardiff	Franchised	Cardiff	129	2005	—								
UK	Park Plaza Belfast	Franchised	Belfast	106	2004	—								
IRL	Park Plaza Tyrellstown	Franchised	Dublin	155	2006	—								
GER	Park Plaza Trier	Franchised	Trier	150	2003	—								
GER	art'otel Potsdam	Franchised	Berlin	123	2006	—								
ISR	Park Plaza Yamit	Franchised	Tel Aviv	180	1999	—								
TOTAL				4,128										
COMMITTED PROJECTS														
UK	Park Plaza Westminster Bridge project	Managed	London	953	2010	33% ⁽⁵⁾								
UK	County Hall London	Managed	London	395	2007	—								
NL	Park Plaza Victoria Extn.	Co-owned	Amsterdam	100	2009	50%								
GER	Park Plaza Nuremberg	Owned	Nuremberg	175	2009	100%								
GER	art'otel Cologne	Op. Lease	Cologne	220	2010	—								
TOTAL				1,843										

Notes:

(1) The Euro to pound Sterling exchange rate used for the purposes of this table is €1.46 = £1.

(2) Gross operating profit.

(3) The hotel was added to the Group's hotel portfolio in November 2006, hence no historical operating statistics are available.

(4) The Group has an option to acquire long leasehold interests in these hotels at fair market value. For further details see section 12.2 of Part XI of this document headed "Related party transactions—Option agreement relating to Park Plaza Leeds and Park Plaza Nottingham".

(5) The Group's interest is in the development phase of this property.

Current portfolio

Hotels owned or co-owned by the Group

Park Plaza Riverbank (London)

Overview

Located on the south bank of the River Thames opposite the Tate Britain art gallery and across the river from landmarks such as the Houses of Parliament and Big Ben, the Park Plaza Riverbank is one of the largest fully-flexible meeting hotels in London. The hotel, which is owned through a joint venture between the Red Sea Group and Elscint, opened in April 2005. The hotel is within easy reach of London Waterloo railway station and is in close proximity to attractions such as the Oval Cricket Ground, Westminster Abbey, the London Aquarium and the Imperial War Museum. The main structure offers 394 superior rooms over 12 floors, and the hotel's conference and meeting facilities are among the largest and most modern in London.

Property highlights include:

- Breakdown of rooms:
 - 394 rooms.
- Food and beverage:
 - Chino Latino brasserie, bar and lounge.
- Meeting space:
 - Two flexible ballrooms with capacity for up to 1,100 delegates (the ballrooms can be divided into 12 smaller function rooms). State-of-the-art conference facilities featuring views of the River Thames are also available.
- Other amenities:
 - In-room plasma screens with satellite TV and DVD player, 120 car parking spaces and fitness centre.

Nature of the Group's interest

The Group has a 55% interest in the company which has a long lease of this property (expiring in 2125). The remaining 45% interest is held by Elscint. The Group also manages the hotel under the Park Plaza brand.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of suites	394	394	394	394	N/A
Occupancy (%)	79%	65%	76%	57%	N/A
ADR (€)	145	144	144	129	N/A
RevPAR (€)	115	94	109	73	N/A
Room revenues (€'000)	6,847	5,581	15,665	6,617	N/A
Total revenues (€'000)	11,845	10,599	28,848	13,405	N/A
Gross operating profit (€'000) ⁽¹⁾	4,464	3,686	11,326	2,669	N/A
Gross operating margin % ⁽²⁾	38%	35%	39%	20%	N/A
EBITDA (€'000) ⁽³⁾	2,772	2,225	7,435	438	N/A
EBITDA margin (%) ⁽⁴⁾	23%	21%	26%	3%	N/A

Notes:

- (1) Gross operating profit is calculated before management fees.
- (2) Gross operating margin is calculated as gross operating profit divided by total revenues.
- (3) EBITDA is calculated after management fees, rental payments, insurance and business rates.
- (4) EBITDA margin is calculated as EBITDA divided by total revenues.

Plaza on the River (London)

Overview

Situated within the structure of Park Plaza Riverbank, Plaza on the River is an all-suite luxury residence hotel. The property offers 66 contemporary suites with views of the River Thames. All suites benefit from state-of-the-art technology and are finished to a high standard. Plaza on the River trades under a different brand from the Park Plaza Riverbank, and is treated as a separate line of business with a separate check-in area and facilities. Plaza on the River opened in July 2005.

Nature of the Group's interest

The Group has a 55% interest in the company which has a long leasehold of this property (expiring in 2125). The remaining 45% interest is held by Elscint. The property is managed by the Group under the Plaza on the River brand.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	66	66	66	66	
Occupancy (%)	75%	54%	72%	46%	N/A
ADR (€)	255	222	268	214	N/A
RevPAR (€)	191	120	192	98	N/A
Room revenues (€'000)	1,902	1,197	4,627	653	N/A
Total revenues (€'000)	1,962	1,260	4,798	680	N/A
Gross operating profit (€'000) ⁽¹⁾	1,251	660	3,201	179	N/A
Gross operating margin % ⁽²⁾	64%	52%	67%	26%	N/A
EBITDA (€'000) ⁽³⁾	1,085	572	2,795	146	N/A
EBITDA margin (%) ⁽⁴⁾	55%	45%	58%	21%	N/A

Notes:

- (1) Gross operating profit is calculated before management fees.
- (2) Gross operating is calculated as gross operating profit divided by total revenues.
- (3) EBITDA is calculated after management fees, rental payments, insurance and business rates.
- (4) EBITDA margin is calculated as EBITDA divided by total revenues.

Park Plaza Victoria (London)

Overview

The four-star deluxe, design-led Victoria Park Plaza is conveniently located two minutes away from Victoria Underground and National Rail station. The hotel is within walking distance of some of London's major tourist attractions, including Buckingham Palace, Harrods, Westminster Abbey, West End theatres and Hyde Park. Victoria Park Plaza offers a variety of accommodation, from suites and rooms to serviced studio and one- and two-bedroom apartments.

Property highlights include:

- | | |
|---------------------|--|
| Breakdown of rooms: | <ul style="list-style-type: none"> • 299 guest rooms, including four suites, 20 studio rooms, 64 executive rooms, 199 superior rooms and 12 one and two-bedroom apartments. |
| Food and beverage: | <ul style="list-style-type: none"> • JB's restaurant (modern European cuisine), JB's Bar and Mix Espresso Gourmet Café. |
| Meetings space: | <ul style="list-style-type: none"> • 15 flexible conference rooms, a ballroom accommodating up to 1,000 people in cocktail style and a private board room. |
| Other amenities: | <ul style="list-style-type: none"> • Car park (up to 26 vehicles), a business centre, executive lounge and an executive health club featuring a steam room, sauna and cardiovascular equipment. |

Nature of the Group's interest

The Group has been operating the hotel under the Park Plaza brand since 2001 when the Group acquired a 50% interest in the company which owns the freehold of the hotel. The remaining 50% interest is held by Elscint. The Group manages this property under the Park Plaza brand.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	299	299	299	299	299
Occupancy (%)	87%	84%	88%	82%	87%
ADR (€)	161	144	149	127	110
RevPAR (€)	141	122	131	104	96
Room revenues (€'000)	6,344	5,488	14,252	11,344	10,532
Total revenues (€'000)	9,917	8,804	22,140	19,360	17,968
Gross operating profit (€'000) ⁽¹⁾	4,533	3,986	10,275	8,875	8,502
Gross operating margin % ⁽²⁾	46%	45%	46%	46%	47%
EBITDA (€'000) ⁽³⁾	3,467	2,971	7,789	6,461	6,042
EBITDA margin (%) ⁽⁴⁾	35%	34%	35%	33%	34%

Notes:

- (1) Gross operating profit is calculated before management fees.
- (2) Gross operating margin is calculated as gross operating profit divided by total revenues.
- (3) EBITDA is calculated after management fees, rental payments, insurance and business rates.
- (4) EBITDA margin is calculated as EBITDA divided by total revenues.

Park Plaza Sherlock Holmes (London)

Overview

The four-star deluxe Park Plaza Sherlock Holmes is located on Baker Street close to the Baker Street Underground station, providing easy access to five main underground lines and four mainline rail stations. The hotel was originally opened in 1966 and was acquired by the Red Sea Group and Elscint in 2001. The hotel is within walking distance of one of London's major attractions, Madame Tussauds. Other attractions such as Oxford Street, Bond Street and Marylebone High Street, Regent's Park and Lord's Cricket Ground are all in close proximity to the hotel. The Park Plaza Sherlock Holmes is a boutique-style hotel, combining tradition with contemporary style. Guests have the choice of superior or executive rooms, executive studios or loft suites (double-height galleried suites set over two floors with bathrooms on both floors).

Property highlights include:

- | | |
|---------------------|---|
| Breakdown of rooms: | • 119 guest rooms, including 70 superior rooms, 29 executive rooms, 17 loft studios and three loft suites. |
| Food and beverage: | • Sherlock's Grill (modern British cuisine) and Sherlock's Bar. |
| Meeting space: | • Seven flexible meeting rooms with capacity for up to 65 people in theatre style, or up to 38 people in boardroom style. Audiovisual and technical equipment are also available. |
| Other amenities: | • Full gym, sauna, steam room and a beauty treatment room. |

Nature of the Group's interest

The Group has been operating the hotel under the Park Plaza brand since 2001 when the Group acquired a 55% interest in the company which holds a long lease of the hotel. The remaining 45% interest is held by Elscint.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	119	119	119	119	119
Occupancy (%)	87%	80%	86%	77%	83%
ADR (€)	171	155	162	147	139
RevPAR (€)	148	124	140	113	116
Room revenues (€'000)	2,655	2,235	6,064	4,896	5,050
Total revenues (€'000)	3,606	3,106	8,296	6,725	7,302
Gross operating profit (€'000) ⁽¹⁾	1,575	1,262	3,771	2,881	3,212
Gross operating margin % ⁽²⁾	44%	41%	45%	43%	44%
EBITDA (€'000) ⁽³⁾	765	507	1,861	1,205	1,819
EBITDA margin (%) ⁽⁴⁾	21%	16%	22%	18%	25%

Notes:

- (1) Gross operating profit is calculated before management fees.
- (2) Gross operating margin is calculated as gross operating profit divided by total revenues.
- (3) EBITDA is calculated after management fees, rental payments, insurance and business rates.
- (4) EBITDA margin is calculated as EBITDA divided by total revenues.

Park Plaza Victoria Amsterdam

Overview

This four-star deluxe property is located in Amsterdam's shopping and business centre, opposite the main train station, close to Dam Square, the Royal Palace and other city landmarks. The hotel is a 15-minute train ride from Amsterdam Schiphol Airport and its central location and proximity to the railway station make it one of the hotels most easily accessible by public transport. The Park Plaza Victoria Amsterdam has been classified as a protected monument/listed building and offers standard guestrooms, executive rooms, business and deluxe suites. Originally built in 1633 as the residence of a wealthy merchant, plans to convert it into a hotel date back as far as 1882.

The Red Sea Group and Elscint jointly acquired the hotel in 1993 for €21.9 million in a bankruptcy procedure, and the property underwent a €7.2 million restructuring of its common areas and the opening of a bar/restaurant on the ground floor in 1994. At present, the Park Plaza Victoria Amsterdam comprises three main sections, all separate buildings that are inter-linked: the original building (also called the Victoria wing) which provides 154 guest rooms, the recently built Garden wing which provides 152 rooms and finally a number of terraced properties which are currently used as storage areas and back of house accommodation. The property also hosts some retail space on its ground floor, mainly let to a currency exchange shop and local retailers.

Property highlights include:

- | | |
|---------------------|--|
| Breakdown of rooms: | • 223 superior rooms, 57 executive rooms, 13 business suites and 14 deluxe suites. |
| Food and beverage: | • Vic's Terrace and Brasserie, Seasons Garden Restaurant and Tasman Bar. |
| Meeting space: | • 10 conference rooms with a range of capacities from 10 to 150 people equipped with audio-visual conferencing facilities, a business centre, ISDN and analogue telephone lines. |
| Other amenities: | • In-room internet access, in-house movies, gym, beauty salon, heated indoor swimming pool, sauna, a Turkish steam bath and solarium. |

Nature of the Group's interest

The Group owns 50% of the entity which holds the freehold interest in this property. The Group manages this hotel under the Park Plaza brand. The Group has also recently acquired a 50% interest in the freehold interest of 33 Prins Hendrikkade, an office building adjacent to the hotel, which the Group plans to convert into an additional 100 rooms subject to zoning approval. Works are expected to be completed in 2008. The remaining 50% interest is held by Elscint.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	306	305	306	305	305
Occupancy (%)	94%	95%	95%	95%	93%
ADR (€)	144	134	143	133	127
RevPAR (€)	136	128	137	126	118
Room revenues (€'000)	6,277	5,548	14,893	14,030	13,183
Total revenues (€'000)	8,793	7,592	19,867	19,047	18,071
Gross operating profit (€'000) ⁽¹⁾	3,788	3,167	9,051	8,312	7,868
Gross operating margin % ⁽²⁾	43%	42%	46%	44%	44%
EBITDA (€'000) ⁽³⁾	3,109	2,548	7,363	6,746	6,312
EBITDA margin (%) ⁽⁴⁾	35%	34%	37%	35%	35%

Notes:

- (1) Gross operating profit is calculated before management fees.
- (2) Gross operating margin is calculated as gross operating profit divided by total revenues.
- (3) EBITDA is calculated after management fees, rental payments, insurance and business rates.
- (4) EBITDA margin is calculated as EBITDA divided by total revenues.

Park Plaza Vondel (Amsterdam)

Overview

A three-star hotel built in 1972 and acquired by the Group in 2006, the Park Plaza Vondel is located in “Koninginneweg”, a neighbourhood of Amsterdam. The hotel, which offers views over the city's Vondelpark, is divided into three separate buildings (two of which are physically connected) with a combination of guestrooms and fully-equipped suites in the four-star “villa” section. A major refurbishment programme commenced in the first quarter of 2007 and €2.5 million has been committed to upgrading the property to a full four-star rating. Following this refurbishment, the number of rooms will decrease from 143 to 139. Given the artistic theme of the neighbourhood in which the hotel is situated, the Group is considering rebranding this property as an art'otel.

Property highlights include:

- | | |
|---------------------|---|
| Breakdown of rooms: | • 143 rooms, including 93 superior, 16 executive, 34 suites and one penthouse apartment. |
| Food and beverage: | • Bar and breakfast restaurant. |
| Meeting space: | • Four meeting rooms that accommodate up to 160 delegates and a restaurant that may be used as a conference venue for up to 80 people. Audiovisual and technological equipment is also available. |
| Other amenities: | • Free internet access in the lobby and a laundry service. |

Nature of the Group's interest

The Group has been operating the hotel under the Park Plaza brand since January 2006 when it acquired a 100% interest in the freehold of this property.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006 ⁽¹⁾	2006 ⁽¹⁾	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	143	143	143	N/A	N/A
Occupancy (%)	77%	75%	81%	N/A	N/A
ADR (€)	94	88	94	N/A	N/A
RevPAR (€)	72	66	76	N/A	N/A
Room revenues (€'000)	1,346	1,196	3,715	N/A	N/A
Total revenues (€'000)	1,573	1,385	4,283	N/A	N/A
Gross operating profit (€'000) ⁽²⁾	541	650	2,118	N/A	N/A
Gross operating margin % ⁽³⁾	34%	47%	49%	N/A	N/A
EBITDA (€'000) ⁽⁴⁾	423	528	1,729	N/A	N/A
EBITDA margin (%) ⁽⁵⁾	27%	38%	40%	N/A	N/A

Notes:

(1) The hotel was acquired in February 2006, therefore the operating data covers only the months of the year starting from February 2006.

(2) Gross operating profit is calculated before management fees.

(3) Gross operating margin is calculated as gross operating profit divided by total revenues.

(4) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(5) EBITDA margin is calculated as EBITDA divided by total revenues.

Park Plaza Utrecht

Overview

Originally built in the late 1970's, the Park Plaza Utrecht was purchased jointly by the Red Sea Group and Elscint in 1995. This four-star hotel is located near the city's main train station, within walking distance from the exhibition centre "De Jaarbeurs", the historic city centre and shopping facilities. The hotel offers air-conditioned superior executive guestrooms, equipped with modern facilities. Utrecht is the fourth largest city in The Netherlands and, being the main connecting hub for ground transportation across the country, represents a good business venue for meetings and conferences. To this end, an entire floor of the Park Plaza Utrecht (which is arranged over nine levels) has been devoted to meeting rooms and conference space with full audio-visual equipment.

Property highlights include:

- Breakdown of rooms:
 - 80 superior rooms and 40 executive rooms.
- Food and beverage:
 - "Plein 50" restaurant, bar and brasserie.
- Meeting space:
 - 10 conference rooms and one executive boardroom accommodating from two to 170 delegates. An on-site full-serviced business centre is also available.
- Other amenities:
 - In-room internet access through the television system, sauna and fitness room. Private parking is also available at a charge (up to 70 vehicles).

Nature of the Group's interest

The Group owns 50% of the entity which holds the freehold interest in this hotel. The remaining 50% interest is held by Elscint. The Group has been operating the hotel under the Park Plaza brand since 1995 when it jointly acquired the property with Elscint.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	120	120	120	120	120
Occupancy (%)	80%	83%	83%	81%	74%
ADR (€)	112	94	96	87	85
RevPAR (€)	89	78	79	71	63
Room revenues (€'000)	1,616	1,408	3,475	3,105	2,758
Total revenues (€'000)	2,789	2,430	5,885	5,237	4,765
Gross operating profit (€'000) ⁽¹⁾	1,328	1,013	2,590	2,128	1,903
Gross operating margin % ⁽²⁾	48%	42%	44%	41%	40%
EBITDA (€'000) ⁽³⁾	1,130	845	2,211	1,734	1,126
EBITDA margin (%) ⁽⁴⁾	41%	35%	38%	33%	24%

Notes:

- (1) Gross operating profit is calculated before management fees.
- (2) Gross operating margin is calculated as gross operating profit divided by total revenues.
- (3) EBITDA is calculated after management fees, rental payments, insurance and business rates.
- (4) EBITDA margin is calculated as EBITDA divided by total revenues.

Park Plaza Mandarin (Eindhoven)

Overview

The four-star Park Plaza Mandarin is located in the heart of Eindhoven within a five minute ride to the main train station and ten minutes ride away from the airport. The Park Plaza Mandarin is a purpose-built building arranged in two connecting five-storey buildings, and is conveniently situated near various shops, bars, restaurants and the Eindhoven business district.

Property highlights include:

- | | |
|---------------------|---|
| Breakdown of rooms: | • 102 rooms, including 88 executive rooms, 10 business suites and four deluxe suites. |
| Food and beverage: | • Three outsourced restaurants featuring cuisines from the Far East. |
| Meeting space: | • Conference rooms accommodating up to 260 people. |
| Other amenities: | • Indoor swimming pool, internet access, a leisure club and car parking. |

Nature of the Group's interest

The Group has operated the hotel under the Park Plaza brand since 1989 when it acquired 100% of the freehold interest in the property.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	102	102	102	102	102
Occupancy (%)	84%	78%	78%	79%	77%
ADR (€)	101	93	92	83	79
RevPAR (€)	85	73	72	65	61
Room revenues (€'000)	1,311	1,123	2,689	2,425	2,261
Total revenues (€'000)	1,767	1,546	3,688	3,398	3,199
Gross operating profit (€'000) ⁽¹⁾	818	672	1,766	1,394	1,301
Gross operating margin % ⁽²⁾	46%	43%	48%	41%	41%
EBITDA (€'000) ⁽³⁾	678	541	1,463	1,009	934
EBITDA margin (%) ⁽⁴⁾	38%	35%	40%	30%	29%

Notes:

- (1) Gross operating profit is calculated before management fees.
- (2) Gross operating margin is calculated as gross operating profit divided by total revenues.
- (3) EBITDA is calculated after management fees, rental payments, insurance and business rates.
- (4) EBITDA margin is calculated as EBITDA divided by total revenues.

Hotels under operating leases

art'otel Dresden

Overview

art'otel Dresden offers a unique opportunity to experience the finest in travel and design fusion. The art'otel entire art collection features the work of A.R. Penck, a local Dresden artist, and the interior was orchestrated by the Milanese designer, Denis Santachiara. This trendy four-star central Dresden hotel has 174 tastefully furnished guest rooms including seven art suites. The five flexible conference rooms and adjoining exhibition hall cover over 1,000 square metres.

Property highlights include:

- | | |
|---------------------|--|
| Breakdown of rooms: | • 174 guest rooms, including seven art suites, 150 twin rooms and 18 single rooms. |
| Food and beverage: | • Factory Restaurant and Bar and Mix Espresso Gourmet café. |
| Meeting space: | • Flexible meeting rooms. |
| Other amenities: | • Art gallery with conference facilities with capacity for up to 600 people. A health club with a gym, sauna and solarium is also available. |

Nature of the Group's interest

The Group has an operating lease in respect of this hotel expiring in 2031 with a five year renewal option. The underlying management agreement is terminable on six months' notice subject to payment of an additional 12 months' fees.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	174	174	174	174	174
Occupancy (%)	72%	72%	81%	80%	77%
ADR (€)	69	63	66	60	56
RevPAR (€)	50	45	54	48	43
Room revenues (€'000)	1,318	1,195	3,407	3,063	2,731
Total revenues (€'000)	1,868	1,756	5,024	4,616	4,203
Gross operating profit (€'000) ⁽¹⁾	751	704	2,081	1,970	1,735
Gross operating margin % ⁽²⁾	40%	40%	41%	43%	41%
EBITDA (€'000) ⁽³⁾	(117)	(58)	108	71	94
EBITDA margin (%) ⁽⁴⁾	(6)%	(3)%	2%	2%	2%

Notes:

- (1) Gross operating profit is calculated before management fees.
- (2) Gross operating margin is calculated as Gross operating profit divided by total revenues.
- (3) EBITDA is calculated after management fees, rental payments, insurance and business rates.
- (4) EBITDA margin is calculated as EBITDA divided by total revenues.

Park Plaza Wallstreet Berlin

Overview

The Wallstreet Park Plaza Berlin is a new four-star deluxe hotel situated in the heart of Berlin's historic centre close to "Alexander Platz" and the "Reichstag" (German parliament building). The hotel, resulting from the conversion of a bank/office building, boasts superior and executive rooms along with suites and meeting room facilities. The 50-seat auditorium is a special feature of the hotel, which makes the Park Plaza Wallstreet Berlin an ideal venue for movie premiers, product launches and other special events.

Property highlights include:

- | | |
|---------------------|---|
| Breakdown of rooms: | • 167 guest rooms, including eight suites, 117 superior rooms and 42 executive rooms. |
| Food and beverage: | • A restaurant (international cuisine), bar and lounge. |
| Meeting space: | • One boardroom and two meeting rooms. |
| Other amenities: | • 50-seat auditorium, internet access and a fitness centre. |

Nature of the Group's interest

The Group has an operating lease in respect of this hotel expiring in 2025 with two five year renewal options. The underlying management agreement is terminable upon six months' notice subject to payment of an additional 12 months' fees.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	167	167	167	N/A	N/A
Occupancy (%)	72%	47%	62%	N/A	N/A
ADR (€)	77	78	86	N/A	N/A
RevPAR (€)	56	37	53	N/A	N/A
Room revenues (€'000)	1,415	565	2,650	N/A	N/A
Total revenues (€'000)	1,934	774	3,503	N/A	N/A
Gross operating profit (€'000) ⁽²⁾	712	215	1,341 ⁽¹⁾	N/A	N/A
Gross operating margin % ⁽³⁾	37%	28%	38%	N/A	N/A
EBITDA (€'000) ⁽⁴⁾	(90)	(312)	(510)	N/A	N/A
EBITDA margin (%) ⁽⁵⁾	(5)%	(40)%	(15)%	N/A	N/A

Notes:

(1) There will be a material increase in rent in April 2008 which may adversely affect gross operating profit.

(2) Gross operating profit is calculated before management fees.

(3) Gross operating margin is calculated as gross operating profit divided by total revenues.

(4) EBITDA is calculated after management fees, rental payments, insurance and business rates.

(5) EBITDA margin is calculated as EBITDA divided by total revenues.

art'otel Budapest

Overview

art'otel Budapest is centrally located on the Danube river in Hungary, opposite the world famous Parliament. art'otel Budapest is characterised by the works of Donald Sultan, a world renowned contemporary American artist. Similar to that of an art gallery, an exhibition of his artworks is on display in the public areas of the hotel and in every guest room. The hotel has 165 furnished guest rooms, including executive rooms and art suites. The art'otel integrates four baroque townhouses restored to their original splendour.

Property highlights include:

- | | |
|---------------------|---|
| Breakdown of rooms: | • 165 guest rooms, including nine art suites, 149 superior rooms and seven executive rooms. |
| Food and beverage: | • Chelsea restaurant, Domino café and terrace. |
| Meeting space: | • Flexible meeting rooms and a business centre. |
| Other amenities: | • Fitness centre, sauna, beauty parlour and an art shop. |

Nature of Group's interest

The Group has an operating lease in respect of this hotel expiring in 2020 with two five year renewal options. The underlying management agreement is terminable upon six months' notice subject to payment of an additional 12 months' fees.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	165	165	165	165	165
Occupancy (%)	72%	78%	81%	82%	84%
ADR (€)	79	83	86	84	75
RevPAR (€)	57	65	70	69	63
Room revenues (€'000)	1,424	1,617	4,209	4,174	3,791
Total revenues (€'000)	1,913	2,151	5,499	5,552	5,144
Gross operating profit (€'000) ⁽¹⁾	879	1,111	3,020	2,971	2,659
Gross operating margin % ⁽²⁾	46%	52%	55%	54%	52%
EBITDA (€'000) ⁽³⁾	(216)	33	335	323	153
EBITDA margin (%) ⁽⁴⁾	(11)%	(2)%	6%	6%	3%

Notes:

- (1) Gross operating profit is calculated before management fees.
- (2) Gross operating margin is calculated as gross operating profit divided by total revenues.
- (3) EBITDA is calculated after management fees, rental payments, insurance and business rates.
- (4) EBITDA margin is calculated as EBITDA divided by total revenues.

Park Plaza Prenzlauer Berg Berlin

Overview

The four-star Park Plaza Prenzlauer Berg Berlin is located in Berlin's "Neue Mitte", next to the Berlin Arena and the European swimming hall. The property offers spacious guestrooms, including executive rooms and business and regular suites. The lobby area and ground floor of the property are scheduled for major refurbishment in 2007 which, among other changes, will include a new street-front bar.

Property highlights include:

- | | |
|---------------------|--|
| Breakdown of rooms: | • 155 guest rooms, including seven business suites, seven suites, 113 superior rooms and 28 executive rooms. |
| Food and beverage: | • Restaurant "Fontane" and the Lobby Bar. |
| Meeting space: | • Three flexible conference rooms. |
| Other amenities: | • Internet access, laundry service and car parking. |

Nature of the Group's interest

The Group has an operating lease in respect of this hotel expiring in 2018 with a five year renewal option. The underlying management agreement is terminable upon six months' notice subject to payment of an additional 12 months' fees.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	155	155	155	155	155
Occupancy (%)	72%	69%	73%	77%	74%
ADR (€)	44	43	44	40	43
RevPAR (€)	32	29	32	30	31
Room revenues (€'000)	744	685	1,837	1,709	1,769
Total revenues (€'000)	1,020	991	2,590	2,569	2,571
Gross operating profit (€'000) ⁽¹⁾	227	254	725	741	673
Gross operating margin % ⁽²⁾	22%	26%	28%	29%	26%
EBITDA (€'000) ⁽³⁾	(102)	(73)	(159)	(158)	(604)
EBITDA margin (%) ⁽⁴⁾	(10)%	(7)%	(6)%	(6)%	(23)%

Notes:

- (1) Gross operating profit is calculated before management fees.
- (2) Gross operating margin is calculated as gross operating profit divided by total revenues.
- (3) EBITDA is calculated after management fees, rental payments, insurance and business rates.
- (4) EBITDA margin is calculated as EBITDA divided by total revenues.

Park Plaza Dresden

Overview

The elegant four-star Park Plaza Dresden is centrally located between the historic old-town of Dresden and the airport, which is only a 10 minute drive away. The hotel offers 148 spacious guestrooms including executive rooms and suites. The hotel has two restaurants, seven flexible meeting rooms and its historic “Lindengarten” Ballroom which can accommodate up to 450 attendees.

Property highlights include:

- | | |
|---------------------|--|
| Breakdown of rooms: | • 148 guest rooms, including two suites, 126 superior rooms and 20 executive rooms. |
| Food and beverage: | • Szenario, Bibliothek, Scala Piano Bar and Cheers. |
| Meeting space: | • Seven flexible conference rooms and “Lindengarten” ballroom with capacity for up to 450 people in classroom style. |
| Other amenities: | • Fitness centre and internet access. |

Nature of the Group's interest

The Group has an operating lease in respect of this hotel expiring in 2017 with a five year renewal option. The underlying management agreement is terminable upon six months' notice subject to payment of an additional 12 months' fees.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	148	148	148	148	148
Occupancy (%)	64%	64%	72%	73%	74%
ADR (€)	55	50	51	49	47
RevPAR (€)	35	32	37	36	35
Room revenues (€'000)	785	713	2,002	1,931	1,875
Total revenues (€'000)	1,204	1,151	3,262	3,207	3,200
Gross operating profit (€'000) ⁽¹⁾	381	352	1,221	1,199	1,226
Gross operating margin % ⁽²⁾	32%	31%	37%	37%	40%
EBITDA (€'000) ⁽³⁾	(156)	(171)	(94)	(124)	11
EBITDA margin (%) ⁽⁴⁾	(13)%	(15)%	(3)%	(4)%	0%

Notes:

- (1) Gross operating profit is calculated before management fees.
(2) Gross operating margin is calculated as gross operating profit divided by total revenues.
(3) EBITDA is calculated after management fees, rental payments, insurance and business rates.
(4) EBITDA margin is calculated as EBITDA divided by total revenues.

art'otel Ku'damm (Berlin)

Overview

art'otel Berlin Ku'damm, a three-star comfortable hotel, is located on the Joachimstaler Strasse in the heart of Berlin. The hotel is within close proximity to the Kaiser Wilhelm Memorial Church, Brandenburg Gate, the Reichstag building and the A100 city motorway. Displayed throughout the hotel Berlin Kudamm are original works from the Fluxus artist Wolf Vostell, with his signed lithographic works on display in the guestrooms. Wolf influenced the design of the guestrooms themselves. Interior decorations include works from Phillipe Stark and Arne Jacobsen.

Property highlights include:

- | | |
|---------------------|--|
| Breakdown of rooms: | • 133 guest rooms, including 61 economy rooms, 58 superior rooms and 14 executive rooms. |
| Food and beverage: | • Breakfast restaurant and lounge. |
| Meeting space: | • Two meeting rooms and seven breakout rooms. |
| Other amenities: | • Guest laundry service. |

Nature of the Group's interest

The Group has an operating lease in respect of this hotel expiring in 2031. The underlying management agreement is terminable upon six months' notice subject to payment of an additional 12 months' fees.

Selected unaudited financial and operating information

Since the hotel was added to the Group's portfolio in November 2006, historical operating statistics are only available for the five months ended 31 May 2007.

	YTD 2007 (unaudited)
Number of rooms	133
Occupancy (%)	62%
ADR (€)	54
RevPAR (€)	33
Room revenues (€'000)	670
Total revenues (€'000)	843
Gross operating profit (€'000) ⁽¹⁾	289
Gross operating margin % ⁽²⁾	34%
EBITDA (€'000) ⁽³⁾	(351)
EBITDA margin (%) ⁽⁴⁾	(42)%

Notes:

- (1) Gross operating profit is calculated before management fees.
- (2) Gross operating margin is calculated as gross operating profit divided by total revenues.
- (3) EBITDA is calculated after management fees, rental payments, insurance and business rates.
- (4) EBITDA margin is calculated as EBITDA divided by total revenues.

art'otel Berlin Mitte

Overview

The art'otel Berlin Mitte, located in the heart of Berlin's historic centre, combines the historic Ermelerhaus and modern architecture. Reminiscent of an art gallery, the hotel is dedicated to Georg Baselitz, one of the most famous contemporary German artists. Art'otel Berlin Mitte has banqueting facilities, meeting rooms and modern, spacious guestrooms, including suites and art suites.

Property highlights include:

- | | |
|---------------------|--|
| Breakdown of rooms: | • 109 guest rooms, including 10 art suites, four suites and 95 superior rooms. |
| Food and beverage: | • Factory Restaurant and Bar. |
| Meeting space: | • Two meeting rooms and a business centre. |
| Other amenities: | • Banquet facilities in the Ermelerhaus. |

Nature of the Group's interest

The Group has an operating lease in respect of this hotel expiring in 2031. The underlying management agreement is terminable upon six months' notice subject to payment of an additional 12 months' fees.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	109	109	109	109	109
Occupancy (%)	75%	82%	81%	84%	86%
ADR (€)	78	80	86	79	78
RevPAR (€)	58	65	70	66	67
Room revenues (€'000)	962	1,073	2,773	2,617	2,680
Total revenues (€'000)	1,302	1,440	3,650	3,720	3,852
Gross operating profit (€'000) ⁽¹⁾	405	502	1,383	1,362	1,627
Gross operating margin % ⁽²⁾	31%	35%	38%	37%	42%
EBITDA (€'000) ⁽³⁾	(165)	(156)	(210)	(349)	120
EBITDA margin (%) ⁽⁴⁾	(13)%	(11)%	(6)%	(9)%	3%

Notes:

- (1) Gross operating profit is calculated before management fees.
- (2) Gross operating margin is calculated as gross operating profit divided by total revenues.
- (3) EBITDA is calculated after management fees, rental payments, insurance and business rates.
- (4) EBITDA margin is calculated as EBITDA divided by total revenues.

art'otel Berlin City Centre West

Overview

art'otel Berlin City Centre West offers a unique opportunity to experience the fusion of travel, art, photography and design. The entire art'otel is dedicated to the work of Andy Warhol, as well as Christopher Makos, renowned for photographing Andy Warhol with many of his celebrity friends. The rooms feature a lime green and violet colour scheme, combined with white maple wood.

Property highlights include:

- | | |
|---------------------|---|
| Breakdown of rooms: | • 91 guest rooms, including four art suites, 74 superior rooms, 13 executive rooms. |
| Food and beverage: | • “Free style” cooking concept at the Factory restaurant and bar. |
| Meeting space: | • Flexible meeting rooms. |
| Other amenities: | • Features original Andy Warhol artwork, a fitness room and secure car park. |

Nature of the Group's interest

The Group has an operating sub-lease in respect of this hotel expiring in 2017. The underlying management agreement is terminable upon six months' notice subject to payment of an additional 12 months' fees.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	91	91	91	91	91
Occupancy (%)	73%	85%	83%	87%	89%
ADR (€)	71	68	73	65	61
RevPAR (€)	51	57	60	57	55
Room revenues (€'000)	707	788	2,003	1,891	1,820
Total revenues (€'000)	913	1,008	2,550	2,449	2,446
Gross operating profit (€'000) ⁽¹⁾	328	392	1,036	828	822
Gross operating margin % ⁽²⁾	36%	39%	41%	34%	34%
EBITDA (€'000) ⁽³⁾	(130)	(58)	(115)	(284)	(243)
EBITDA margin (%) ⁽⁴⁾	(14)%	(6)%	(4)%	(12)%	(10)%

Notes:

- (1) Gross operating profit is calculated before management fees.
- (2) Gross operating margin is calculated as gross operating profit divided by total revenues.
- (3) EBITDA is calculated after management fees, rental payments, insurance and business rates.
- (4) EBITDA margin is calculated as EBITDA divided by total revenues.

Hotels under management contracts

Park Plaza Astrid (Antwerp)

Overview

The four-star contemporary, Astrid Park Plaza, is centrally located in the world famous diamond area of Antwerp, opposite the train station and zoo. The hotel, which includes both executive rooms and suites, was designed by American architect Michael Graves. Contained within the hotel is an aquarium arranged over three levels that are open to the public. One floor of the building is let out to a serviced office operator (Regus).

Property highlights include:

- | | |
|---------------------|--|
| Breakdown of rooms: | <ul style="list-style-type: none"> • 228 rooms, including 207 superior and executive rooms, 20 business and deluxe suites and one presidential suite. |
| Food and beverage: | <ul style="list-style-type: none"> • Sammy's Bar, Astrid Lounge, Diamond Club, Harmonies, Window of Antwerp, Astrid's and Astrid's on the Square. |
| Meeting space: | <ul style="list-style-type: none"> • 18 conference rooms accommodating meetings from five to 30 people, Scala ballroom with capacity for up to 600 people in cocktail style, a private board room and a business centre. Audiovisual and technical equipment is also available. |
| Other amenities: | <ul style="list-style-type: none"> • Wireless internet access in every room, 12 metre swimming pool and fitness centre and underground parking (up to 120 vehicles). |

Nature of the Group's interest

The Group has been operating the hotel under the Park Plaza brand since 1997 when the Group began managing the property. The hotel is wholly-owned by a subsidiary of Elscint. The Group only has a management interest in this hotel.

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	229	229	229	229	229
Occupancy (%)	66%	67%	67%	66%	74%
ADR (€)	106	88	93	83	75
RevPAR (€)	70	59	62	55	55
Room revenues (€'000)	2,413	2,039	5,187	4,588	4,601
Total revenues (€'000)	3,876	3,519	8,608	7,971	8,049
Gross operating profit (€'000) ⁽¹⁾	1,157	982	2,854	2,275	2,130
Gross operating margin % ⁽²⁾	30%	28%	30%	29%	26%

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

Park Plaza Leeds

Overview

Close to Leeds Bradford Airport and easily accessible by road, the four-star, design-led Park Plaza Leeds is located on City Square, in the heart of Leeds city centre opposite the railway station. In addition to modernly decorated superior and executive rooms, Park Plaza Leeds also features penthouse suites fitted with the modern comforts expected of a four-star hotel.

Property highlights include:

- Breakdown of rooms:
 - 187 guest rooms, including four suites, 51 executive rooms and 131 superior rooms.
- Food and beverage:
 - Chino Latino offers (Far Eastern cuisine with a Latin bar) and Scene! Lobby Bar.
- Meeting space:
 - 11 conference rooms, two large function rooms with the latest audiovisual facilities, two dedicated conference floors and business centre facilities.
- Other amenities:
 - Fitness centre.

Nature of the Group's interest

The Group has been managing the hotel under the Park Plaza brand since 2003 when the Red Sea Group acquired a long lease in the property. Following Admission, the Group will continue to manage this hotel but has an option to acquire the company which owns the long lease over the property (for further details see section 12.2 of Part XI of this document headed "Related party transactions—Option agreement relating to the Park Plaza Leeds and the Park Plaza Nottingham").

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	187	187	187	187	187
Occupancy (%)	69%	62%	67%	63%	67%
ADR (€)	97	95	96	99	92
RevPAR (€)	67	59	64	62	62
Room revenues (€'000)	1,875	1,649	4,333	4,235	4,169
Total revenues (€'000)	3,317	2,979	7,744	7,862	7,678
Gross operating profit (€'000) ⁽¹⁾	989	773	2,260	2,404	2,396
Gross operating margin % ⁽²⁾	30%	26%	29%	31%	31%

Notes:

(1) Gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

Park Plaza Nottingham

Overview

The design-led, four-star deluxe Park Plaza Nottingham is located in the heart of the city, within Nottingham's main shopping and business centres. The property is near tourist attractions such as the Robin Hood museum, Nottingham Castle and the Caves of Nottingham. The Park Plaza Nottingham offers superior and executive rooms, as well as suites. The hotel has a gym with views of Nottingham city centre.

Property highlights include:

- Breakdown of rooms:
 - 178 guest rooms, including six suites, 70 executive rooms and 102 superior rooms.
- Food and beverage:
 - Chino Latino (Far Eastern cuisine with a Latin bar).
- Meeting space:
 - 12 meeting rooms.
- Other amenities:
 - Internet access and a fitness centre.

Nature of the Group's interest

The Group has been managing the hotel under the Park Plaza brand since 2002 when the Red Sea Group acquired a long leasehold in the property. Following Admission, the Group will continue to manage this hotel but has an option to acquire the company which owns the long lease in the property (for further details see section 12.2 of Part XI of this document headed "Related party transactions—Option agreement relating to Park Plaza Leeds and Park Plaza Nottingham").

Selected unaudited financial and operating information

	Five months ended 31 May		Year ended 31 December		
	2007	2006	2006	2005	2004
	(unaudited)		(unaudited)		
Number of rooms	178	178	178	178	178
Occupancy (%)	68%	66%	68%	67%	66%
ADR (€)	96	92	93	90	88
RevPAR (€)	65	61	64	60	59
Room revenues (€'000)	1,744	1,637	4,133	3,913	3,815
Total revenues (€'000)	2,800	2,685	6,876	6,456	6,269
Gross operating profit (€'000) ⁽¹⁾	822	848	2,308	2,114	2,099
Gross operating margin % ⁽²⁾	29%	32%	34%	33%	33%

Notes:

(1) The gross operating profit is calculated before management fees.

(2) Gross operating margin is calculated as gross operating profit divided by total revenues.

Hotels under franchise agreements

The hotels under franchise are operated by third parties and the Group is not therefore able to give operating data on these hotels.

Park Plaza Cardiff

Overview

The new four-star deluxe Park Plaza Cardiff offers luxury and sophistication in the heart of Cardiff's city centre. The hotel is situated on Greyfriars Road, close to some of Cardiff's most historic and impressive sites including Cardiff Castle, the Millennium Stadium, New Theatre Cardiff and several museums. Park Plaza Cardiff offers a choice of superior rooms, executive rooms and suites. The hotel has been awarded four Platinum stars by the Wales Tourist Board.

Property highlights include:

- Breakdown of rooms:
 - 129 guest rooms, including 78 superior rooms, 40 executive rooms, eight junior suites and three one-bedroom suites.
- Food and beverage:
 - Laguna Kitchen and Bar (eclectic mix of global cuisine).
- Meeting space:
 - Two function rooms and nine conference rooms.
- Other amenities:
 - Wedding packages, onsite luxury spa, internet access and a fitness centre.

Park Plaza Belfast

Overview

The four-star Park Plaza Belfast is located in Belfast, and is within easy access to all of Northern Ireland's top tourist attractions. The hotel is just 50 metres from Northern Ireland's only international airport and a 20 minute taxi ride from the city centre. A regular shuttle service runs from the hotel to the city centre from the airport. Park Plaza Belfast offers 106 luxury guests rooms and the Circles restaurant provides a large selection of contemporary food.

Property highlights include:

- Breakdown of rooms:
 - 106 guest rooms, including two suites, 53 superior doubles, 32 executive doubles and 16 superior twins.
- Food and beverage:
 - Circles restaurant and Foyer lounge bar.
- Meeting space:
 - 10 flexible conference rooms and a business centre.
- Other amenities:
 - Internet access.

Park Plaza Tyrrelstown (Dublin)

Overview

The Park Plaza Tyrrelstown Dublin is the first four-star deluxe hotel in West Dublin. The hotel is located close to both Dublin city centre and Dublin Airport and has 155 guest rooms.

Property highlights include:

- | | |
|---------------------|---|
| Breakdown of rooms: | • 155 guest rooms, including 13 suites, seven executive rooms and 127 superior rooms. |
| Food and beverage: | • Maya-Che Restaurant and Bar. |
| Meeting space: | • 11 flexible conference rooms, accommodating up to 450 people in cocktail style. |
| Other amenities: | • Internet access and a fitness centre. |

Park Plaza Trier

Overview

The four-star Park Plaza Trier is located in the heart of Trier, Germany's oldest city and just three minutes from the famous Dom. The award winning new hotel, with its 150 stylish guest rooms and suites, presents a contemporary offering in an ancient city.

Property highlights include:

- | | |
|---------------------|---|
| Breakdown of rooms: | • 150 guest rooms, including eight suites, 97 standard rooms and 45 superior rooms. |
| Food and beverage: | • Restaurant Caesar's and Lobby Bar. |
| Meeting space: | • Eight flexible conference rooms. |
| Other amenities: | • Banquet facilities in the Ermelerhaus, internet access and a health club. |

art'otel Potsdam

Overview

The art'otel Potsdam is located in downtown Potsdam, on the Havel River, near the Sanssouci castle. The hotel features the artworks of Katharina Sieverding, a Czech-born artist and photographer known for her photo-based artworks.

Property highlights include:

- | | |
|---------------------|--|
| Breakdown of rooms: | • 123 guest rooms, including eight suites room and 115 standard rooms. |
| Food and beverage: | • Restaurant "agua", garden terrace and bar and an "a la carte" cuisine. |
| Meeting space: | • Three small conference rooms with capacity for up to 75 people. |
| Other amenities: | • Internet access, and a spa, beauty and fitness centre. |

Park Plaza Yamit (Tel Aviv)

Overview

The Park Plaza Yamit is located in central Tel Aviv, Israel, facing the Beach Promenade.

Property highlights include:

- | | |
|---------------------|---|
| Breakdown of rooms: | • 180 rooms, including 24 studios and 19 suites. |
| Food and beverage: | • Banqueting facilities include a breakfast room with panoramic views and a lobby bar. |
| Meeting space: | • Business lounge which can accommodate small meetings. |
| Other amenities: | • A business centre and fitness club, including source and swimming pool with sun deck. |

Committed projects

Park Plaza Westminster Bridge project

Overview

The Park Plaza Westminster Bridge project is a 953* room apart-hotel being developed close to Waterloo railway station. This hotel is being designed and built for a fixed price by a member of the Red Sea Group. The developer, Marlbray (in which the Group holds a 33% stake), has secured bank financing for an amount in excess of the expected costs of the project and this facility will be repaid out of the pre-sales of apartments. Euro Sea has given two guarantees to the bank in respect of this project for further details see section 11.5 of Part XI of this document headed “Financing facilities—Bank Hapoalim Facility—Marlbray facility agreement”.

The rooms or apartments are being pre-sold on an individual basis to private investors. As of the Latest Practicable Date, 75% of the apartments had been pre-sold, contracted to pre-sell or are under offer. Savills has appraised the value of the Park Plaza Westminster Bridge project as at 5 June 2007 as £85 million or €125 million. The pro rata value of the Group’s stake in the project on this basis is €42 million. This does not take into account the corporation tax charge which will arise when the underlying apartments are sold. The Group also has a 25-year contract to manage the Park Plaza Westminster Bridge project commencing when the hotel opens (expected to be in 2010). This management contract can be terminated without compensation by 12 months’ notice at any time after the fifth anniversary of the opening if certain RevPAR and gross operating profit benchmarks are not met and the Group fails to make up the difference.

One of the other shareholders in Marlbray has guaranteed to the purchasers of the apartments that they will receive a 6% annual yield on their investments for the five years from the date of completion of the sale. The Group has agreed, subject to certain limitations, to indemnify this shareholder for one-third of any liability arising under this guarantee (for further details see section 10.10 of Part XI this document headed “Material contracts—Shareholders’ agreement relating to Marlbray”).

* Marlbray has applied to amend the planning permission so as to permit an additional floor to this project which would increase the number of rooms to 1,037.

Property highlights include:

- | | |
|---------------------|---|
| Breakdown of rooms: | • 953 guestrooms, including 438 studio rooms, 502 one-bedroom suites and 13 two-bedroom suites. |
| Food and beverage: | • A concept restaurant, bar and café. |
| Meetings space: | • 13 flexible conference rooms, a grand ballroom with capacity for up to 1,250 people in cocktail style. A private board room will also be available. |
| Other amenities: | • A business centre, executive lounge, executive health club including a steam room, sauna and cardiovascular equipment, a jacuzzi, swimming pool, and a long-term luggage storage facility for guests. |

Nature of the Group's interest

The Group has a 25-year contract to manage the property commencing when this hotel opens. This management contract can be terminated without compensation by 12 months' notice at any time after the fifth anniversary of the opening if certain RevPAR and gross operating profit benchmarks are not met and the Group fails to make up the difference. The Group owns a 33% interest in the project with the remaining shares held by two UK developers.

Park Plaza County Hall (London)

Overview

The Group's relationship with one of the other shareholders in the Park Plaza Westminster Bridge project has led to it winning a 25-year contract to manage this four-star deluxe hotel which is due to open in 2007. The hotel is located north of Westminster Bridge Road and to the east of the former County Hall complex on the south bank of the River Thames. The hotel is opposite the Houses of Parliament and the Palace of Westminster.

Plans for the hotel's 17 floors include a basement level, a ground floor, a mezzanine level and 14 floors of guest units. The hotel will have 395 guest units. There will be a range of room types and floor areas, and all units have kitchenette facilities in addition to the standard in-room facilities. The public areas will house conference facilities and a concept restaurant and bar.

Property highlights include:

- | | |
|---------------------|--|
| Breakdown of rooms: | • 101 superior rooms, 262 studios, 25 junior suites and seven penthouses. |
| Food and beverage: | • A bar area with capacity for up to 70 people and a restaurant with capacity for up to 90. The brand and concept for the bar and restaurant has yet to be confirmed. |
| Meeting space: | • Six conference rooms range in capacity from 10 to 100 people and are equipped with audio-visual conferencing facilities. A business centre with wireless internet access will also be available. |
| Other amenities: | • In-room internet access, in-house movies, gym, beauty rooms, treatment rooms and a guest laundry room. |

Nature of the Group's interest

The Group has a 25-year contract to manage the property commencing when this hotel opens. This management contract can be terminated without compensation by 12 months' notice at any time after the fifth anniversary of the opening if certain RevPAR and gross operating profit benchmarks are not met and the Group fails to make up the difference.

Park Plaza Victoria extension (Amsterdam)

Overview

This property, a vacant office building located adjacent to the Park Plaza Victoria Amsterdam at 33 Prins Hendrikkde was purchased in December 2006 (jointly with Elscint) for €14 million. Subject to zoning consent, it will be used as an extension to the Park Plaza Victoria Amsterdam with an expected addition of 100 rooms with an estimated capital expenditure of €9 million. Plans for the municipality of Amsterdam to apply for a hotel licence have been prepared and talks with the municipality officials are ongoing. Savills has estimated that the total incremental value to the Park Plaza Victoria Amsterdam (including the retail units) is €31 million, which corresponds to €15.5 million attributable to the Group.

The property is located in the bustling shopping and business centre, opposite Amsterdam's train station, and near the Dam Square and the Royal Palace. The hotel is a 15-minute train ride from Amsterdam Schiphol Airport and its central location and proximity to the railway station makes it easily accessible by public transportation. The extension to the Park Plaza Victoria Amsterdam will offer standard guestrooms, executive rooms, business and deluxe suites as well as meeting rooms. The basement will contain conference rooms, a fitness centre and retail shops. The ground floor will be for multi-functional use in accordance with the requirements of the municipality. This new hotel extension will be connected to the Park Plaza Victoria Amsterdam by a bridge on the first floor, in addition to a basement level corridor for staff and supply routing. Plans for the hotel include 100 guestrooms over four floors, and the basement will include retail space to be rented to a fitness centre and high-end retail shops.

Property highlights include:

- | | |
|---------------------|--|
| Breakdown of rooms: | • 100 guestrooms, including 40 executive rooms, 20 business suites and four deluxe suites. |
| Food and beverage: | • The food and beverage outlets are located in the adjacent main building of the Park Plaza Victoria Amsterdam. |
| Meeting space: | • New board rooms in addition to the conference facilities in the main building of the adjacent Park Plaza Victoria Amsterdam. |
| Other amenities: | • Identical amenities as the Park Plaza Victoria Amsterdam. |

Nature of the Group's interest

The Group owns 50% of the entity which holds the freehold interest in this hotel. The other 50% is owned by Elscint. The refurbishment is subject to zoning consent.

Park Plaza Nuremberg

Overview

The Group has contracted to acquire the freehold of this former hotel with a view to refurbishing the building and opening a 175 room four-star hotel. The property is located in the bustling shopping and business centre of Nuremberg and opposite the main train station. The hotel's central location makes it easily accessible by public transportation. The building consists of two basements (used for technical and storage facilities). On the ground floor there is space for reception, restaurant, bar and large conference hall. There are five guestroom floors and an additional 30 rooms are planned for the roof floor, which is currently used as storage space. This planned addition would bring the room count to 175.

Property highlights include:

- | | |
|---------------------|--|
| Breakdown of rooms: | • 175 rooms. |
| Food and beverage: | • Multi-functional restaurant and bar on the ground floor. |
| Meetings space: | • Ballroom and multi-functional meeting facilities on ground floor. |
| Other amenities: | • Two basement floors which may include a health club or for other purposes to be decided. |

Nature of the Group's interest

The Group has contracted to acquire a 100% freehold interest in the property.

art'otel Cologne

Overview

The art'otel Cologne is a new-build art'otel. Construction will begin in the autumn of 2007 in the city's midtown Reinau Port development. The Reinau Port development will also comprise private housing, a leisure centre and sports facilities after an extensive 217,000 square metre regeneration.

Situated opposite the city's famous Chocolate Museum on Holzmarkt Strasse, the hotel will offer approximately 220 guestrooms, a restaurant and bar, an outdoor terrace, meeting rooms, a fitness centre and a private car park. Positioned along the Rhine River, the hotel will feature views of the river, as well as the architectural landscape that include museums and other Cologne Old Town attractions.

The City Council held a competition inviting several architects to submit their designs for the new hotel. The winning architect, Professor Johanne Nalbach, has done the interior design for several of the Group's hotels in Germany.

In keeping with the tradition of the art'otel concept, the art'otel Cologne will feature the works of art of SEO, a young Korean-born master pupil of German artist Georg Baselitz, where work is currently featured at the art'otel Berlin Mitte.

Property highlights include:

- | | |
|---------------------|---|
| Breakdown of rooms: | • 220 guest rooms, including Standard rooms, executive rooms and business suites. |
| Food and beverage: | • A ground floor multi purpose restaurant with a bar and terrace overlooking the Rhine River. |
| Meeting space: | • Multi-functional meeting rooms. |
| Other amenities: | • Parking. |

Nature of the Group's interest

The Group has contracted to acquire an operating lease with respect to this property expiring on the 20th anniversary of its opening. The contract is subject to certain conditions being satisfied including the acquisition of the site by the landlord and planning permission being obtained.

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PART III

INDUSTRY OVERVIEW

This Part III focuses on the key countries and cities where the Group has currently its main operations. The information in this Part III is based on the market reports contained in the valuation report ("Report") of the Group's hotels provided to the Company by Savills. In preparing the Report Savills has used information which it has extracted from publicly available sources and industry reports.

1. UK

Despite challenging times from 2001 to 2005, particularly following the events of foot and mouth disease, 11 September 2001, SARS, the war in Iraq and the 2005 London bombings, the UK hospitality sector has remained buoyant and UK visitor numbers growth has been sustained. The accession of ten new countries to the EU and rapid growth of emerging markets has also boosted visitor numbers to the UK. In 2006, 32 million foreign tourists visited the UK (an increase of 7.2% compared with 2005) and spending by foreign visitors amounted to around £14 billion). The total level of spending is estimated to support 1.4 million jobs in the UK, which is roughly 5% of all UK employment.

A strong UK economy and the prospect of the 2012 Olympic Games have encouraged new hotel developments in the capital. Unbranded, independent hotels have declined in number, whilst boutique designer hotels have seen the most growth. The branded sector has continued to show signs of strength.

London

In London, being the main European gateway for international trade, the growth in the office markets (driven by a more buoyant equity market and growing levels of M&A activity) has been a key driver for the business hotels market. Occupiers are beginning to acquire more office space which suggests an increase in the level of business activity, which would have positive impact on hotels catering for business travellers. Additionally, there has been an increase in the number of new hotels and extensions following the announcement of London as host city for the 2012 Olympic Games, with a large number of new hotels expected to be opened by 2008.

The most recent TRI Hospitality Consulting statistics show that in 2006 over 26 million tourists visited London, generating approximately £10 billion in tourism revenues.

London tourism statistics

	Domestic			Overseas			Total		
	2006	2005	% Change	2006	2005	% Change	2006	2005	% Change
Total number of visits (million)	11.0	10.7	2.6%	15.2	13.9	9.4%	26.2	24.6	6.5%
Total expenditure (£ billion)	2.3	2.1	8.4%	7.5	6.9	9.4%	9.8	9.0	8.9%

Source: UK Tourism Survey, 2006

In summary, 2006 saw a very significant improvement on 2005 for London hotels, although the London bombings in July 2005 must be taken into consideration. According to TRI, most of the improvements have been generated by the top end of the market (ADR £135 and over rate category), with demand in the corporate sector experiencing particular growth. London, as well as the rest of the UK, has participated in the sale and lease/manage-back trend of the last two years, with many hotels changing ownership, despite the operator/brand remaining the same.

A recent trend has been the development of new hotels overlooking the River Thames. The combination of a lack of suitable and affordable central London locations and the attraction of river views for hotel guests has led to a number of developments along the river, particularly on the southbank. Riverside hotels, such as the Riverbank Park Plaza, market themselves as destinations with hotel bedrooms and conference rooms with river views.

The number of current hotel rooms in London is estimated at around 83,400 by Visit London and they have identified potential hotel developments which could add an additional 9% to the current number of rooms. This growth is driven mainly by the strength of the UK economy and the prospect of the 2012 Olympic Games.

According to TRI's review of 2006, London hotels achieved an average RevPAR of £93.6 in 2006, compared to £78.6 in 2005. Occupancies rose 5.8% to 82.5%. London hotels have had their strongest year since 2000. The improved economic outlook for the UK, as well as international markets, bodes well for a marked recovery in room yields during the next two years.

	Actual	
	2006	2005
Occupancy, (%)	82.5%	76.7%
ADR (£)	113	102
RevPAR (£)	94	79

Source: TRI Hospitality Consulting—UK, 2007

English provincial

Trading conditions were benign for England's provincial hoteliers in 2006 as the fundamental strength of the UK economy enabled the continuation of uninterrupted growth despite the slight deterioration in a number of economic indicators—amongst them interest rates, consumer prices and unemployment.

English hoteliers are in the midst of a highly stable part of the cycle. An increased supply may affect such stability, leading prices to decrease. However, there was little evidence of this happening in 2006.

The data from TRI Hospitality Consulting shows that occupancy rates in the UK (excluding London) have remained stable, but room rates have increased above the rate of inflation. Unlike 2005, the increase in room rate in 2006 has driven RevPAR rather than the increase in occupancy levels.

UK Provincial	Actual	
	2006	2005
Occupancy	70.2%	69.8%
ADR (£)	65	61
RevPAR (£)	46	43

Source: TRI Hospitality Consulting—UK, 2007

2. Germany

According to year-end results from the Bench, RevPAR across Germany grew by 13.4% to €56 in 2006. This is the first time the country has reported double-digit RevPAR increases since 2000 and marked a significant improvement on 2005 when RevPAR remained constant.

German hotels have enjoyed strong growth in average room rates—particularly during the summer of 2006, when over two million fans visited the country for the World Cup. Performance was also bolstered by the improved general economic situation which supported both corporate and leisure demand. Germany achieved one of the highest growth rates of any country in Europe. The increased media attention surrounding the World Cup helped raise Germany's profile, which should continue to have a positive impact for hoteliers.

Given the absence of the World Cup, performance in 2007 is unlikely to be as strong as in prior years.

	Actual	
	2006	2005
Occupancy (%)	64.3%	62.2%
ADR (€)	87	79
RevPAR (€)	56	49

Source: The Bench

Berlin

Berlin is a significant national and international tourist destination. The capital continues to be a very popular destination and overnight stays for the year increased from 14.6 million in 2005 to 15.9 million in 2006. According to a report by the International Congress & Convention Association (ICCA) Berlin is the fourth most popular city in the world for congresses and trade fairs. According to Berlin Tourismus' latest

2006 report, there were 7.1 million arrivals in Berlin. The largest foreign source market is the UK, with approximately 750,000 UK tourists visiting Berlin in 2006.

The World Cup held in 2006 provided further impetus for improvements to the city's infrastructure. Berlin's new rail station, the Berliner Hauptbahnhof, opened in 2007 and is the largest station of its kind in Europe. In addition, the new Berlin Brandenburg International Airport is expected to open in 2011 and will help the city cope with larger numbers of foreign tourists and potential delegates for the ICCA.

In 2005, the markets saw the opening of the new Hotel Lux 11, the 505 bedroom Maritim Hotel, the Dorrint Novotel and the Bel-Ahr. Based on official government statistics by September 2005, there were 84,000 available hotel beds in Berlin. The European Hotel Valuation Index 2006 estimates that 1,300 new beds entered the market in 2005. However, despite the perceived oversupply, major international hotel chains continue to pursue the tourist potential of Berlin and further branded hotels opened during 2006, including Melia Hotel Berlin and Rocco Fortes Grand Hotel de Rome.

With 15.9 million overnight stays in hotels in 2006 up from 14.6 million in 2005, Berlin visitor numbers continue to increase. However, occupancy levels have been relatively poor for the upper sector four and five star hotels due to market saturation.

When the new major airport opens at the end of 2011, demand for accommodation is expected to increase. By 2010, the number of overnight stays should reach the 20 million mark, according to estimations by HoGa and Business Travel Management. According to market analysts, new luxury accommodation will not be needed but rather two and three star accommodation will be in greater demand.

	Actual	
	2006	2005
Occupancy (%)	68.0%	64.4%
ADR (€)	92	79
RevPAR (€)	62	51

Source: The Bench

Dresden

Dresden is one of Germany's most successful cities in terms of tourism. It is located in Saxony, bordering Bavaria, Thuringia, Saxony-Anhalt and Brandenburg, as well as the Czech Republic and Poland. Dresden is Germany's 15th largest city in terms of population (with 510,000 inhabitants).

In 2005, Dresden was among the top three performing cities (along with Hannover and Mannheim) in terms of number of visitors. A number of visitors were attracted to Dresden in February to mark the 60th anniversary of Dresden's destruction during the Second World War. Then in October the famous Frauenkirche (the city's church) was re-opened, having been restored to its former glory.

In 2005, Dresden received almost nine million visitors, 15% of which came from abroad. There were 2.95 million overnight stays, of which an estimated 40% were business travellers and 60% leisure tourists. As of December 2005, Dresden was home to 91 hotels (13,053 beds) and 52 guesthouses (943 beds) (source: Dresden Tourist Promotion Board).

In 2006, Dresden came a close second among the top three performing cities in Germany with RevPAR up 13.6%, driven by improvements in both occupancy and average room rate with a strong leisure market following the reopening of its famous cathedral and historic art collection.

	Actual	
	2006	2005
Occupancy (%)	75.4%	70.2%
ADR (€)	68	65
RevPAR (€)	52	45

Source: The Bench

3. The Netherlands

The Netherlands' location within the European Community has made it an important travel and transportation hub. However, tourism and business travel to and within The Netherlands is under pressure, with international travelers having increasingly more alternatives.

In 2006, over 10 million international visitors arrived in The Netherlands and spent a total of 27.1 million nights (up 5% from 2005), of which 63% were spent in hotels (versus other accommodation: holiday houses, camping sites). Including visitors from inside and outside The Netherlands, there were 29 million visitor overnight stays, 10% higher than in 2005.

2006 has experienced stable occupancy levels, and a low growth of 4.5% in average room rates, which led the RevPAR to increase by 5%.

	Actual	
	2006	2005
Occupancy (%)	73.6%	73.0%
ADR (€)	107	102
RevPAR (€)	79	75

Source: Management estimates (four star hotels benchmarking)

Amsterdam

Amsterdam is one of the best performing hotel markets in Europe in terms of occupancy with very strong demand generated by both corporate and leisure guests, and performance continuing to rise year on year from the disappointing levels of 2003.

With 38,200 hotel beds available, Amsterdam attracts many people from the UK and US. In 2006, 52% of British visitors and 60% of American visitors stayed in the capital. The number of Germans and Belgians staying in Amsterdam also rose slightly. The strength of the local economy, the city's international economic importance and its appeal to the leisure market have made the city the strongest hotel market in The Netherlands.

	Actual	
	2006	2005
Occupancy (%)	88.8%	87.7%
ADR (€)	146	134
RevPAR (€)	130	118

Source: Management estimates (four star hotels benchmarking)

Within Amsterdam, occupancy in 2006 rose by 1.1% and with the average rate increasing by an additional 8.7% this led to an increase in RevPAR of 10.2%, second only in the whole country to Rotterdam where both occupancy and ADR started from a much lower level.

Such strong city-wide performance generally attracts new operators, but the barriers to entry within the city are quite high which has traditionally limited such speculative developments. 950 new hotel bedrooms are expected to open in the city in 2007.

Eindhoven

The population of Eindhoven exceeded 200,000 inhabitants in 2000, due almost exclusively to Philips having its headquarters in this town. However, the company experienced difficulties in recruiting new staff in Eindhoven and the manufacturing part of the business relocated to Amsterdam in the late 1990's.

The vast majority of visitors to the city come for commercial reasons rather than for pleasure, and even the presence of PSV Eindhoven (one of the most successful Dutch football clubs) does not generate substantial leisure demand for hotels in the town. The town authorities have started attracting sporting events to the town (such as the Tai Kwon Do World Championships in 2006, the 2005 UEFA Cup final and the 2008 Swimming World Championships).

The hotel competition in the city is relatively limited with two distinct categories of hotels; those with a town centre or with a ring road location. Among the branded hotels present in Eindhoven are Sofitel (four star hotel) and Holiday Inn (five star hotel), both located in the centre, and Novotel (three star hotel) and Van der Valk (four star hotel), both located on the ring road.

Utrecht

Utrecht is considered to be the centre of The Netherlands, since the city is a 30 minute drive from Amsterdam and 45 minutes from the Hague. Schiphol Airport is a 30 minute drive from the centre and the city is home to the largest university in The Netherlands. Major companies located in Utrecht include Cap Gemini, Oracle, Logica, CMG, Hewlett Packard and Sun Microsystems.

Utrecht is the fourth largest city in The Netherlands with a population of more than 275,000 as of 2006, and because of its central location markets itself as the natural meeting point for the national market. The city has tried to enhance its reputation within the leisure market, through a carefully orchestrated campaign of promotions which Management believes has led to an increase in leisure spending in the city.

	Actual	
	2006	2005
Occupancy (%)	71.1%	69.8%
ADR (€)	90	83
RevPAR (€)	64	58

Source: Management estimates (four star hotels benchmarking)

There are no nationally produced statistics for the city. The hotel brands operating in Utrecht include Best Western (four star hotel), Carlton (four star hotel) and Mercure (three star hotel). Three new brands are expected to come to market, being Holiday Inn, Van der Valk and Amrath.

4. Hungary

Tourism is an important contributor to the Hungarian economy. In 2006, tourism is estimated to have directly accounted for nearly 3.5% of Hungarian GDP and the employment of some 206,000 people in 2006 (around 5.3% of total employment).

In 2006, foreign visitor arrivals totaled approximately 40 million, compared with 38.6 million a year earlier. This represents an increase of approximately 6.2% year-on-year. The majority of the arrivals to Hungary are from European countries, with Germany, Austria and the UK being the most significant source countries.

The total number of tourist nights spent in all accommodation establishments totalled just over 19 million in 2006, down 3.5%. Although domestic visitors recorded a 2.8% year-on-year increase in tourist nights to around 9.2 million, international visitors accounted for a relatively sharp drop of 8.8% compared with the previous year. This follows relatively weak growth in international tourist nights in 2005 (source: World Travel and Tourism Council; Hungarian National Tourist Office).

A major factor behind this weak performance, following a decline in 2005, was a sharp fall in German tourist nights, of nearly 17%. One issue with Hungary's tourism industry is that compared to regional competitors such as Bulgaria, Hungary can no longer market itself as a budget holiday destination.

Budapest

Budapest and the Central Danube region were the destinations for approximately 39% of international arrivals into Hungary in 2006. One major perennial attraction is the Formula-1 Grand Prix which takes place at the Hungaroring circuit outside Budapest. In 2006, Budapest Ferihegy International Airport handled nearly 8.3 million passengers, an increase of 4.2% over 2005.

	Actual	
	2006	2005
Occupancy (%)	70.6%	72.9%
ADR (€)	111	98
RevPAR (€)	79	72

Source: TRI Hotels 2007, Europe

In 2006, Budapest experienced a 2.3% decrease in occupancy and a 13.3% increase in ADR (resulting in a 9.9% increase in RevPAR), compared with 2005.

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PART IV

THE PLACING

1. Details of the Placing and Admission

Under the Placing, the Company will issue 15,450,000 Shares assuming no exercise of the Over-allotment Option, raising net proceeds of approximately £78.9 million, net of underwriting commissions and other estimated fees and expenses of approximately £6.1 million. The Placing Shares will rank *pari passu* in all respects with the Shares, including the right to vote and the right to receive all dividends and distributions declared, paid or made on the Company's share capital after Admission. The Shares will, immediately following Admission, be freely transferable under the Articles. The Placing is fully underwritten by the Underwriter.

The Placing Shares represent approximately 37.7% of the Enlarged Share Capital assuming no exercise of the Over-allotment Option. In addition, a further 1,550,000 Shares are being made available by the Company to Morgan Stanley (or such person as it may procure), pursuant to the Over-allotment Option.

The Placing is being made by means of an offer of Shares to certain institutional investors in the United Kingdom and elsewhere outside the United States in offshore transactions in reliance on Regulation S.

Certain restrictions that apply to the distribution of this document and the Shares being issued under the Placing in certain jurisdictions are described in section 7 of this Part IV headed "Selling restrictions/securities law".

Immediately following Admission, it is expected that approximately 37.7% of the Company's issued ordinary share capital will be held in public hands assuming that the Over-allotment Option is not exercised (increasing to 40.0% if the maximum number of Shares is acquired pursuant to the Over-allotment Option).

Application has been made to the London Stock Exchange for the whole of the Company's ordinary share capital, issued and to be issued, to be admitted to trading on AIM.

The Company and Morgan Stanley expressly reserve the right to determine, at any time prior to Admission, not to proceed with the Placing. If such right is exercised, the Placing will lapse and any monies in respect of the Placing will be returned to investors without interest.

2. Terms and conditions of the Placing

The Placing is conditional, among other things, on Admission. The Placing and Admission are subject to certain conditions contained in the Placing Agreement.

The Placing Agreement contains provisions entitling Morgan Stanley to terminate the Placing Agreement at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will lapse. Further details of the Placing Agreement are set out in section 10.1 of Part XI of this document headed "Material Contracts—Placing Agreement and lock-up and stock lending arrangements."

The gross proceeds of the Placing based on the Placing Price and assuming no exercise of the Over-allotment Option are expected to be £84,975,000. The net cash proceeds to the Company of the Placing (after deduction of expenses (estimated in total to be approximately £6.1 million) and assuming full subscription) are expected to be approximately £78.9 million.

It is expected that the proceeds of the Placing due to the Company will be received by it on or soon after Admission.

The Shares are in registered form. Prior to Admission, the Company has issued share certificates in respect of its issued share capital, and has maintained the Register of Members in book entry form. The Register of Members has been maintained by the Company at its registered office.

It is expected that, subject to the satisfaction of the conditions of the Placing, the Placing Shares will be registered in the names of the placees subscribing for or acquiring them and issued or transferred either:

- (i) in CREST, where the placee so elects and only if the placee is a "system member" (as defined in the Uncertificated Securities Regulation 2001) in relation to CREST, with delivery (to the designated CREST account) of the Placing Shares subscribed for or purchased expected to take place on 17 July 2007; or

- (ii) otherwise, in certificated form, with the relevant share certificate expected to be dispatched by post by the Registrar.

Notwithstanding the election by placees as to the form of delivery of the Shares, no temporary documents of title will be issued. All documents or remittances sent by or to placees or as they may direct will be sent through the post at their risk. Pending despatch of definitive share certificates or crediting of CREST stock accounts (as applicable), the Company's registrars will certify any instrument of transfer against the Register of Members.

Plan of distribution and allotment

The Shares are not being offered generally and no applications have been or will be accepted other than under the terms of the Placing Agreement.

Pricing and underwriting

Morgan Stanley has entered into a commitment under the Placing Agreement pursuant to which it has agreed, subject to certain conditions, to procure subscribers for the Shares to be issued by the Company under the Placing, or, failing which, to subscribe for such Shares itself, at the Placing Price. The Placing Agreement contains provisions entitling Morgan Stanley to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Placing and these arrangements will lapse and any monies received in respect of the Placing will be returned to applicants without interest. Further details of the Placing Agreement are set out in section 10.1 of Part XI of this document headed "Material Contracts—The Placing Agreement and lock-up and stock lending arrangements".

3. Admission to trading and dealing arrangements

The Placing is subject to the satisfaction of certain conditions contained in the Placing Agreement, which are typical for an agreement of this nature. Certain conditions are related to events which are outside the Group's control and the control of the Directors and Morgan Stanley. Further details of the Placing Agreement are described in section 10.1 of Part XI of this document headed "Material Contracts—The Placing Agreement and lock-up and stock lending arrangements".

It is expected that Admission will take place and unconditional dealings in the Shares will commence on AIM at 8.00 a.m. (London time) on 17 July 2007. Settlement of dealings from that date will be on a three day rolling basis. Prior to Admission, it is expected that dealings in the Shares will commence on a conditional basis on AIM at 8.00 a.m. on 12 July 2007. The earliest date for settlement of such dealings will be 17 July 2007. All dealings in the Shares prior to the commencement of unconditional dealings will be on a "conditional basis", will be of no effect if Admission does not take place and will be at the sole risk of the parties concerned. These dates and times may be changed.

Each prospective investor will be required to undertake to pay the Placing Price for the Shares sold or issued to such prospective investor in such manner as shall be directed by Morgan Stanley.

It is expected that Shares allocated to prospective investors in the Placing will be delivered in uncertificated form and settlement will take place through CREST on Admission. No temporary documents of title will be issued. Dealings in advance of crediting of the relevant CREST stock account shall be at the risk of the person concerned.

4. Over-allotment and stabilisation

In connection with the Placing, Morgan Stanley as Stabilisation Manager or any of its agents may (but will be under no obligation to), to the extent permitted by law, over-allot or effect transactions intended to enable it to satisfy any over-allotments or which stabilise, maintain or otherwise affect the market price of the Shares or any options, warrants or rights with respect to, or interests in, the Shares or other securities in the Company, in each case at levels which might not otherwise prevail in the open market. Morgan Stanley is not required to enter into such transactions and such transactions may be effected on any stock market, over-the-counter market or otherwise and may only be undertaken between commencement of conditional trading of the Shares and 30 days thereafter. However, there will be no obligation on Morgan Stanley or any of its agents to effect stabilising transactions and no assurance is given that stabilising transactions will be undertaken. Such transactions, if commenced, may be discontinued at any time without

prior notice. In no event will measures be taken to stabilise the market price of the Shares above the Placing Price.

Save as required by any legal or regulatory obligation, neither Morgan Stanley nor any of its agents intends to disclose the extent of any over-allotment and/or stabilisation transactions under the Placing.

In connection with the Placing, Morgan Stanley as Stabilisation Manager may, for stabilisation purposes, over-allot Shares up to a maximum of 10% of the total number of Shares comprised in the Placing. For the purposes of allowing it to cover over-allotments (if any) and/or to cover short positions relating to stabilisation transactions, Morgan Stanley has entered into the Over-allotment Option with the Company pursuant to which Morgan Stanley may require the Company to issue additional Shares up to a maximum of 10% of the total number of Shares comprised in the Placing at the Placing Price. The Over-allotment Option will be exercisable in whole or in part, on notice by Morgan Stanley, at any time on or before 30 days after the commencement of conditional trading of the Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects and will be purchased on the same terms and conditions as the Shares being issued or sold in the Placing and will form a single class for all purposes with the other Shares.

Morgan Stanley may also sell Shares in excess of the Over-allotment Option up to a maximum of 5% of the Placing size, creating a naked short position. Morgan Stanley must close out any naked short position by purchasing Shares in the open market.

5. CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Shares to be evidenced in uncertificated form in accordance with the CREST Guernsey Requirements. The Group has applied for the Shares to be admitted to CREST and it is expected that the Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. It is expected that the Admission will become effective and dealings in the Shares will commence at 8.00 a.m. on 17 July 2007. Accordingly, settlement of transactions in Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Persons acquiring shares as a part of the Placing may elect to receive Shares in uncertificated form if, but only if, that person is a “system-member” (as defined in the CREST Regulations) in relation to CREST.

6. Placing and lock-up arrangements

The Company, Morgan Stanley, the Directors, and Molteno and Euro Plaza have entered into the Placing Agreement, pursuant to which Morgan Stanley as Underwriter has agreed, subject to certain conditions, to procure subscribers for, or itself to subscribe for, the Shares. Further details of the terms of the Placing Agreement are set out in section 10.1 of Part XI headed “Material Contracts—The Placing Agreement and lock-up and stock lending arrangements”. In addition, each of the Company, Euro Plaza, Molteno and the Directors has agreed in the Placing Agreement subject to certain customary exceptions, not to offer or otherwise dispose of, or agree to offer or otherwise dispose of, directly or indirectly, whether for consideration or not: (a) any Shares (or any legal or beneficial interest in any Shares); or (b) any securities of the Company that are substantially similar to Shares including any securities that are convertible into or exchangeable for, or that represent the right (whether conditional or not) to receive Shares or any such similar securities; or (c) do anything with the same or substantially the same economic effect as any of the transactions in (a) or (b) (including a derivatives transaction), without the prior written consent of Morgan Stanley and the Company, in the case of the Company, for a period of six months following Admission and, in the case of the Directors, Molteno and Euro Plaza for a period of 12 months following Admission. In addition, two members of senior management and three other Shareholders have entered into similar separate lock-up arrangements for a period of 12 months following Admission.

7. Selling restrictions/securities law

This document does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for Shares by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to

whom it is unlawful to make such offer or invitation. The distribution of this document and the offering of the Shares in certain jurisdictions may be restricted. Accordingly, persons outside the United Kingdom into whose possession this document comes are required by the Company and Morgan Stanley to inform themselves about and to observe any restrictions as to the offer or sale of Shares and the distribution of this document under the laws and regulations of any territory in connection with any applications for Shares, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such territory. No action has been taken or will be taken in any jurisdiction by the Company or Morgan Stanley that would permit a public offering of the Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document other than in any jurisdiction where actions for that purpose is required. The Shares are subject to restrictions on transfer, and may not be re-offered, re-sold, pledged or otherwise transferred except as permitted by the Articles and as provided in this document.

United Kingdom

This document is being distributed only to, and is directed only at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) and persons falling within Article 49(2)(a) to (d) of the Order, and (ii) to whom it may otherwise lawfully be communicated.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “relevant member state”), an offer to the public of any Shares which are the subject of the Placing may not be made in that relevant member state except that an offer to the public in that relevant member state of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that relevant member state:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual turnover of more than €50 million, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (d) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication by the Company or by Morgan Stanley of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this paragraph the expression an “offer to the public” in relation to any Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer of any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

Save as otherwise provided, each subscriber of Shares located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

The Company has not authorised and does not authorise the making of any offer of Shares through any financial intermediary on its behalf, other than offers by a financial intermediary with the consent of Morgan Stanley and offers made by Morgan Stanley with a view to the final placement of the Shares as contemplated by this document. Accordingly, no purchaser of the Shares, other than Morgan Stanley, is authorised to make any further offer of the Shares on behalf of the Company or Morgan Stanley.

Canada

The Shares may not be offered, issued or sold to any Canadian person and this document is not for delivery to any Canadian person other than with the prior approval of Morgan Stanley on a basis exempt

from the requirement that the Company prepare and file a prospectus with the securities regulatory authorities in each province or territory in Canada where trades of Shares are effected.

Australia

This document does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia (the “**Corporations Act**”) and will not be lodged with the Australian Securities and Investments Commission. The Shares will be offered to persons who receive offers in Australia only to the extent that such offers of Shares for issue or sale do not need disclosure to investors under Part 6D.2 of the Corporations Act. Any offer of Shares received in Australia is void to the extent that it needs disclosure to investors under the Corporations Act. In particular, offers for the issue or sale of Shares will only be made in Australia in reliance on various exemptions from such disclosure to investors provided by Section 708 of the Corporations Act. Any person to whom Shares are issued or sold pursuant to an exemption provided by Section 708 of the Corporations Act must not (within 12 months after the issue or sale) offer those Shares in Australia unless that offer is itself made in reliance on an exemption from disclosure provided by that section.

Japan

The Shares have not been and will not be registered under the Securities and Exchange Law of Japan and may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of, any resident of Japan, except (a) pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan, and (b) in compliance with any other applicable requirements of Japanese law.

Israel

No action has been or will be taken in Israel that would permit an offering of the Shares or the distribution of this document to the public in Israel. This document has not been approved by the Israel Securities Authority.

US

The distribution of this document and the offer of the Shares have not been and will not be registered under the Securities Act or with any securities authority of any state or any other jurisdiction of the United States and may not be offered or sold within the United States. The Shares are only being offered and sold outside the United States in reliance on Regulation S under the Securities Act.

The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commissions in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offer of Shares or the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.

In addition, until the expiry of 40 days after the commencement of the Placing, an offer or sale of Shares within the United States by a dealer (whether or not it is participating in the Placing) may violate the registration requirements of the Securities Act.

Investor acknowledgements and agreements

Each purchaser of Shares offered outside the United States pursuant to Regulation S will be deemed to have represented, agreed and acknowledged that it has received a copy of this document, and such other information as it deems necessary to make an investment decision and that:

- (a) it is authorised to consummate the purchase of the Shares in compliance with all applicable laws and regulations;
- (b) it acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States;
- (c) it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S; and
- (d) it will not offer, sell, pledge or transfer any Shares, except in accordance with the Securities Act and any applicable laws of any state of the United States and any other jurisdiction.

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PART V

RISK FACTORS

Potential investors should carefully consider the risks described below, in light of the information in this document and their personal circumstances, before making any decision to invest in the Company. The investment offered in this document may not be suitable for all of its recipients. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. If any of the events or circumstances described should actually occur, the Company's business, financial condition and results of operations could be materially affected. In such circumstances, the market price of the Shares may fall and investors could lose all or part of their investment.

A potential investor who is in any doubt about the action it should take, should consult a professional adviser who specialises in advising on the acquisition of shares and other securities. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company.

Prospective investors should be aware that the value of the Shares and income from them may decrease and that they may not realise their initial investment.

1. Risks relating to the Group's business

A number of the Group's hotels are jointly owned with Elscint, a subsidiary of Elbit Medical Imaging Ltd., a NASDAQ listed company and certain strategic decisions in relation to such hotels require the agreement of Elscint.

The entities which own and/or operate the Park Plaza Victoria Amsterdam and the proposed extension of that hotel, the Park Plaza Utrecht, the Park Plaza Riverbank, the Park Plaza Victoria and the Park Plaza Sherlock Holmes are all jointly owned with Elscint (the "Jointly Owned Entities"). While the Group has entered into management agreements in relation to such hotels, pursuant to which the Group manages and operates such hotels, a number of strategic decisions, such as a decision to sell the hotel or to make a major investment in such hotel over and above the agreed rates of financing, would require the agreement of Elscint. Similarly, the payment of dividends by a Jointly Owned Entity requires the agreement of Elscint and were the Group to wish to sell its stake in any of the Jointly Owned Entities, it would have to comply with certain provisions in joint venture agreements relating to, and/or the constitutional documents of, the Jointly Owned Entities giving Elscint rights of first refusal (the Group would have similar rights were Elscint to wish to sell its stake).

Although the Group has a long established relationship with Elscint, there is no guarantee that Elscint will agree with the Group's management in relation to the type of strategic decisions mentioned above. If Elscint does not agree with the Group in a strategic decision, Elscint could block that decision, resulting in a deadlock situation which would delay or ultimately block the Group from taking that decision. Were such a deadlock to arise, or were there to be any delay in the taking of a strategic decision, this might have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is reliant on its relationship with Carlson.

The Group has a very significant relationship with Carlson upon which it relies to operate a substantial part of its business. Were that relationship to end, or be damaged, it would have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's operating results depend on the reputation and awareness of the brands it uses in its operations.

The Group believes that brand awareness, image and loyalty are critical to its ability to achieve and maintain high average occupancy and room rates and also for its plans to expand. The reputation and awareness of the Group's brands are affected by a number of factors, including factors outside of the Group's control such as changes in customer preferences and customer perception. An event that materially damages the reputation or awareness of either of the Group's brands and/or a material failure to sustain the appeal of either brand to the Group's customers could have a material adverse effect on the value of those brands and subsequent revenues therefrom.

The Group does not own any of the trademarks relating to the Park Plaza brand. The Group relies on Carlson to maintain and protect such trademarks against infringement or misappropriation and any failure by them to do so, as a result of which the reputation of the brands suffered, could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, although the "Park Plaza" brand does have trademark protection in each country in which the Group currently operates that brand, not every country covered by the Territorial Licence Agreement has such protection. Accordingly, were the Group to want to open hotels in certain of the markets covered by the Territorial Licence Agreement, it may be unable to do so or face legal challenges to the brand in those markets. Further, as the Group does not have a licence to use the "Park Plaza" brand outside the countries covered by the Territorial Licence Agreement, in particular the US, the Group cannot control the standard of the hotels operating under the Park Plaza brand in those countries. Any failure on the part of the operator of Park Plaza (or similarly branded) hotels in those countries to maintain a high standard at those hotels could adversely affect the reputation of the Park Plaza brand in the countries in which the Group currently operates or intends to expand.

Furthermore, although the Group does have trademark protection in each country in which the Group currently operates under the art'otel brand, not every country in which the Group may seek to open art'otel branded hotels in the future has such protection. Accordingly, were the Group to want to open hotels under the art'otel brand in such markets, it may be unable to do so or face legal challenges to the brand in those markets. Further, the Group has granted an exclusive licence to CCS, a company controlled by the founder of the art'otel brand, to develop new hotels under that brand in Austria, France, Germany (where all but one of the Group's current art'otels are located), Italy, Spain and Switzerland, subject to an obligation to negotiate in good faith with the Group to manage such hotels. Were CCS to open and operate hotels managed by third parties other than the Group, the standard of the hotels operating under the art'otel brand in those countries would be out of the Group's control. Any failure on the part of the managers of such art'otels to maintain an operational standard comparable to that of the Group's art'otel at those hotels could adversely affect the reputation of the "art'otel" brand.

The Group's results of operations are affected by foreign exchange fluctuations.

The Group's results of operations and the financial position of its foreign subsidiaries and affiliates are reported in the relevant local currencies and then translated into Euros at the applicable exchange rates for inclusion in the Company's consolidated financial statements, which are stated in Euros. The exchange rates between these currencies and the Euro may fluctuate significantly. Significant fluctuations in the future may have a material effect on the Group's financial condition and results of operations.

In addition, the Group incurs currency transaction risk whenever one of its operating subsidiaries enters into a transaction using a different currency than its functional currency. The Group seeks to reduce currency transaction risk by matching commitments, cash flows and debt in the same currency but does not currently enter into foreign exchange contracts for hedging purposes. However, the Group may not be able to hedge this risk in this way completely and were such risk to occur, it could materially adversely affect the Group's financial condition and results of operations. Furthermore, currency fluctuations may have a negative impact on general travel if, for example, the local currency of a major travel destination appreciates significantly.

A significant portion of the Group's operating expenses are fixed, which may impede the Group from quickly reacting to changes in its revenue.

A significant portion of the Group's personnel costs are fixed and not linked to the performance of its hotels, and certain of the Group's other operating expenses, including heating, information technology and telecommunications and similar expenses, are also to a large extent fixed. As such, the Group's operating results are vulnerable to short-term changes in its revenues. The Group's inability to react quickly to changes in its revenue by reducing the Group's operating expenses could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be unable to retain, extend or renew on acceptable terms the agreements for certain of the hotels it manages, leases or franchises.

The buildings from which seven of the Group's hotels in Germany and its hotel in Budapest are operated are all leased from the relevant owner. Such leases are generally for periods of 15 to 25 years with the earliest expiry date being 2 January 2017. Certain of the Group's other hotels are operated pursuant to

franchise agreements which tend to run for periods of five to ten years (subject in some cases to automatic renewal provisions). A number of these hotel contracts include early termination provisions allowing the parties to renegotiate or terminate the contract prior to the end of the contract term. The terms of these agreements are influenced by contract terms offered by the Group's competitors at the time such agreements are entered into. Accordingly, the Group may not be able to renew hotel contracts on acceptable terms when they expire or on terms that are as favourable to the Group as those under existing agreements. If the Group loses some of its prime hotel locations, it could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not be able to meet the revenue targets in certain of its operating leases.

As a part of its operations, the Group manages hotels of third-party property owners and other partners under operating leases and management agreements. The amount of rent payable under the majority of the Group's operating leases is based on a percentage of the revenue generated by the relevant Group company subject to a minimum rent payment obligation which is independent of the revenue generated by the hotel. In certain cases these obligations are backed by bank or parent company guarantees, which are limited to an amount equal to two or three years of lease payments. The Group does not have the right to terminate these agreements prior to their term (which in some cases can be up to 25 years). Were the payment arrangements to become financially uneconomic for the Group, the Group's only option would be to try to renegotiate with the relevant landlord or allow the relevant subsidiary to be placed into insolvency.

Were the Group to fail to generate sufficient revenues to cover such lease payments in addition to the other operating costs of the hotels, this would have a material adverse effect on the Group's business, financial condition and results of operations. Were any of the Group Companies to be placed into insolvency proceedings so as to avoid ongoing long-term obligations under such leases, the Group's reputation may be damaged and its ability to negotiate attractive leases or financial arrangements with third parties may be harmed.

The Group's management agreements may be terminated if certain minimum operating results are not met or by the giving of notice.

The Group's management agreements in relation to the Park Plaza Westminster Bridge project and the Park Plaza County Hall are both terminable by the owners in the event that RevPAR and gross operating profit fall behind the average of certain benchmark hotels and the Group fails to make up the shortfall. Were the Group to fail to meet such minimum operating targets, this could result in the termination of either or both of these agreements, which would have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's management contracts in relation to Park Plaza Nottingham, Park Plaza Leeds and Park Plaza Astrid may be terminated by the giving of six months' notice and the payment of a further 12 months' management fees. Were such a termination to occur, it may have a material adverse affect on the Group's business, financial condition and operational results.

The Group's business, financial condition and results of operations depend on the performance of, reputation of and developments affecting the third-party hotel companies that operate under franchises.

Some of the Group's hotels are operated by third-party companies pursuant to franchise agreements. The Group's business, financial condition and results of operations depend in part upon these companies' performance under the franchise agreements, as well as the reputation of and developments affecting these companies.

Although the Group monitors each such company's performance, in many cases the Group does not have the direct authority to require any hotel to be operated in a particular manner or to govern any particular aspect of the daily operations of any hotel (for instance, setting room rates or managing certain personnel). The Group may not have the ability to affect how these hotels are managed, or change the method of operation of the hotels in the event of substandard operation.

In addition, adverse publicity or other adverse developments that may affect these companies generally may result in a material adverse effect on the Group's business, financial condition and results of operations.

The Group's rapid growth may strain its managerial and operational resources and control systems.

The Group has experienced substantial growth in a relatively short period of time and the Group believes that it will continue to grow its business at a relatively rapid rate for the foreseeable future. As at 31 December 2006, the Group had 24 hotels in operation, compared to 16 hotels as at 31 December 2004. The rapid growth of the Group's hotel portfolio exposes the Group to a number of operational or control risks requiring significant management attention. Management of the Group's growth will require, among other things, the following:

- successful adoption of the Group's business culture as well as best policies and practices, together with continued development of financial and management controls and information technology systems and their implementation and integration in new locations;
- management of increased marketing activities and costs relating to the opening of new hotels;
- efficient co-ordination of sales, distribution and marketing functions; and
- hiring and training employees when opening hotels in new locations.

The operating complexity of the Group's business and the responsibilities of the Group's management have increased as a result of its rapid growth, placing additional demands and, from time to time, significant strain on the Group's managerial, operational and control systems. In addition, the success of new hotels added to the Group's portfolio of hotels will depend, in part, on the Group's ability to realise the anticipated benefits from integrating these new hotels with existing operations. The Group's inability to successfully manage the impact of rapid growth on its operational and managerial resources and control systems could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's key senior personnel and management have been and remain material to its growth.

The Group believes that its growth is partially attributable to the efforts and abilities of the members of its senior management team. If one or more of the member of this team were unable or unwilling to continue in their present position, the Group might not be able to replace them easily, which could have a material adverse effect on the Group's business, financial condition and results of operations. If the Group is unable to retain its executive management team or other key personnel, or attract new qualified personnel to support the growth of its business, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may face industrial disputes or other disruptions that could interfere with its operations.

The Group is subject to the risk of industrial disputes and adverse employee relations, and these disputes and adverse relations could disrupt the Group's business operations and materially adversely affect the Group's business, financial condition or results of operations. In particular, the Group's employees in the Park Plaza Victoria Amsterdam are represented by a works council. Although the Group has not had any material industrial disputes in the past, no assurance can be given that there will not be industrial disputes and/or adverse employee relations in the future that could have a material adverse effect on the Group's operations in a specific hotel, country or region.

The Group faces competition for new hotels and it may not be successful in identifying or consummating opportunities that meet its criteria.

The Group's growth strategy is based on its ability to identify and open, acquire, contract or develop new hotels. In order to implement the Group's growth strategy, the Group needs to identify suitable opportunities that meet its criteria and are compatible with this strategy. For example, the availability of suitable sites, planning and other local regulations or the availability of financing may restrict the supply of suitable hotel development opportunities. The Group faces competition from international, regional and local hotel management and operating companies and brand franchisers, many of which may have greater brand recognition or financial resources than the Group does. Accordingly, the Group may not be successful in identifying or consummating new hotel openings, acquisitions or contracts on satisfactory terms.

The Group does not own the original artwork displayed in its art'otels.

A key marketing tool of the Group's art'otel branded properties is the fact that each such property displays a number of pieces of original art by a famous, often local, artist. None of this original artwork is owned by the Group. Some of it is owned by the founder of the art'otel brand or his family or related trusts and the rest is owned by the relevant artist or other third parties. In the case of certain of the Group's art'otel branded hotels, formal arrangements have been entered into with the owners of the artwork pursuant to which the artwork is loaned to the Group for the duration of the operating lease. However, in a number of cases, no such formal arrangements have been entered into and the Group does not therefore have any legally enforceable right to display such art. Although the company controlled by the founder of the art'otel brand has agreed to use its reasonable endeavours to agree the terms of an agreement relating to the loan of the art currently in place in the Group's hotels, such an agreement to agree is not legally binding and in any event is not with the owner of the art. Accordingly, there may be nothing to prevent the relevant owner from demanding that the artwork be returned. Were the Group required to return such artwork, there is no guarantee that it could replace it with original artwork of a similar standard in a timely manner and/or at reasonable cost. Accordingly, failure to replace any artwork removed from the Group's art'otel with similar quality of artwork could adversely affect the brand's attractiveness to its target market and may therefore have a material adverse effect on the Group's operations, business, financial condition and results of operations.

There are various risks connected with the Group's ownership of the art'otel trade marks and its licence of the Park Plaza trade marks.

The Group's success depends on obtaining, maintaining and enforcing its intellectual property rights, and its ability to avoid infringing the intellectual property rights of others. No assurance can be given that the Group will be able to obtain further trade marks in all jurisdictions in which it wishes to do business. To the extent the trade marks owned or licensed to the Group may be infringed, litigation may be necessary to protect the Group's interest and claims may be made by third parties that the Group's trade marks infringe that third party's trade marks. There is no assurance that, once granted, trade marks are guaranteed to be valid.

The Group will, on Admission, own a number of registrations and applications for registration of the art'otel mark. These rights will only be transferred to the Group on Admission and the details on the public registries have not yet been updated to record the transfer in ownership. The registers must be updated within the period required in the relevant jurisdictions to ensure that these transfers are perfected. There is no guarantee that the applications for trade mark registration will be successful. In particular, certain applications have been made for art'otel marks in China, Turkey, Ukraine, Bulgaria, Romania and Japan which have been temporarily refused on the grounds of prior existing marks in these jurisdictions. In addition, in six of the jurisdictions in which the Group owns art'otel trade marks, its rights in relation to these marks are restricted because the Group has granted perpetual exclusive rights to use the art'otel marks to a third party. The Group has asserted that a third party is currently infringing its rights in the "art'otel" mark by owning a domain name registration for arthotel.com.

The Group uses the Park Plaza trade marks under licence. There can be no assurance that, despite this licence, a third party will not claim ownership of the trade marks and that the Group's use of them infringes its rights. The cost implications of any such successful claim are dealt with under the licence, by an indemnity given by the licensor of the Park Plaza trade marks to the licensee in relation to claims by third parties of infringements of their rights. There is, however, the possibility that a successful claim could prevent the Group's continuing use of the mark. The rights licensed to the Group are limited by the scope of the licence and therefore the freedom of the Group to conduct its business in the manner in which it proposes going forward may be restricted.

These factors could have a material adverse effect on the Group's plans for future growth and, as a result, its business, financial condition and results of operation.

The Group does not own the domain name artotel.com and is exposed to certain other risks in relation to art'otel domain names.

Although the Group entered into an assignment agreement in relation to the art'otel brand on 4 May 2007, the domain names which were assigned under this agreement conditional on Admission were not precisely defined and therefore a risk exists in relation to determining these domain names.

The Group does not own rights in the domain names artotel.com (which it does not use).

The existing Shareholders, Euro Plaza and Molteno will continue to have substantial control over the Group after the Placing.

After the Placing, approximately 42.4% of the Shares will be held by Euro Plaza and approximately 18.3% of the Shares will be held by Molteno. In addition, the Group's chairman, Eli Papouchado, is the founder of the Red Sea Group (of which Euro Plaza forms a part). Accordingly, Euro Plaza and Molteno will have a significant influence not only in relation to matters subject to board approval but also in relation to matters submitted to a vote of all the Company's shareholders, including matters such as declarations of dividends, capital increases, amendments to the Articles and the election and dismissal of the members of the board of Directors and whether or not to enter into certain transactions. Furthermore, Euro Plaza and Molteno have agreed to vote in a concerted manner as further described in section 7.1 of Part XI of this document headed "Substantial share interests". The interests of Euro Plaza and Molteno may differ from those of the other Shareholders.

The Group is exposed to certain risks in relation to information technology and systems.

The Group is reliant on certain technologies and systems for the running of its business. As a result of any system failures, data viruses, computer "hackers" or other causes, the Group may experience operational problems with its information systems. During the first half of 2006, approximately 30% of the Group's room revenues were generated from bookings through the Carlson Central Reservation System and the website of the Park Plaza hotels which is operated through Carlson's online platform. Although Carlson is contractually obliged to maintain and develop this reservation system, the Group does not have control over potential failures, outages or downtime in this system which could affect, among others, the delivery of reservations to its hotels. Any material disruption or slowdown of the Group's information systems, especially any failures relating to its reservation system, could cause valuable information to be lost or operations to be delayed, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

As part of the Group's operations, the Group and each of its hotels maintain personal data, such as credit card, identification, address and other information, of the Group's guests on their databases. In addition, the Group participates in a loyalty programme pursuant to which the Group's partner retains information on the Group's guests. Such information may be misused by the Group's or its partner's employees or other outsiders if there is inappropriate or unauthorised access to the relevant information systems. Incidents of unauthorised access to guest information or misuse of that information could have a material adverse effect on the Group's business and/or reputation.

Certain of the domain names relevant to the Group's business are not owned either by the Group or Carlson. In particular, neither Carlson nor the Group own "artotels.com" or "artotel.com". There is no guarantee that the Group will be able to acquire such domain names on reasonable terms or at all. The inability of the Group to utilise such domain names may have a material adverse effect on the Group's current or future operations, business, financial condition and results of operations.

The Group's insurance policies may not be comprehensive.

Historically, the Group has maintained insurance at levels determined by the Group to be appropriate in light of the cost of cover and the risk profiles of the business in which the Group operates. However, the Group may not be able to obtain insurance that covers losses that are due to external risks, such as acts of terrorism or flooding. In addition, the scope of coverage the Group can obtain may be limited as may the Group's ability to obtain coverage at reasonable rates. With respect to losses for which the Group is covered by its policies, it may be difficult and may take time to recover such losses from insurers. In addition, the Group may not be able to recover the full amount from the insurer. No assurance can be given that the Group's current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates.

2. Risk relating to the Group's properties and operations

The Group may not obtain the amendment to the zoning plan required to expand the Park Plaza Victoria Amsterdam.

The Group has recently acquired a building adjoining the Park Plaza Victoria Amsterdam with a view to adding an additional 100 rooms to that hotel. Before the Group can start the process of converting the new building so it can be used as additional hotel rooms, the Group must obtain an amendment to the prevailing zoning plan (*bestemmingsplan*) from the municipality of Amsterdam Centrum. There can be no guarantee that the Group will obtain such an amendment in the near future or at all. Were such an amendment not to be obtained in the envisaged timescale, or at all, this would prevent the Group from carrying out the planned expansion and may adversely affect the value of the building acquired. This could have a material adverse effect on the Group's plans for future growth and, as a result, its business, financial condition and results of operations.

The head landlord may terminate the operating lease relating to the art'otel Berlin City Centre West hotel with only six months' notice to a calendar quarter.

The sublease pursuant to which the Group operates the art'otel Berlin City Centre West hotel is an oral agreement only and, as such, is terminable by the landlord on six months' notice to a calendar quarter. Were such termination to occur, the Group would not be able to continue to operate a hotel from this property or may be forced to negotiate directly with the landlord a new lease at an increased rent. There is no guarantee that the Group could, in such circumstances find an alternative property at similar rents or at all. Accordingly, were any such termination to occur it would have a material adverse effect on the Group's operations in Germany and its business, financial condition and results of operation.

The value of the Group's property portfolio may fluctuate as a result of factors outside the Group's control.

Property investments are subject to varying degrees of risks. Values are affected (among other things) by changing demand, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices. The value of the Group's property portfolio may also fluctuate as a result of other factors outside the Group's control, such as changes in regulatory requirements and applicable laws (including in relation to taxation and planning), political conditions, the condition of financial markets, potentially adverse tax consequences, interest and inflation rate fluctuations and higher accounting and control expenses. The Group's operating performance could be adversely affected by a downturn in the property market in terms of capital values.

Real estate investments are relatively illiquid.

Properties such as those in which the Group invests are relatively illiquid and planning regulations may further reduce the numbers and types of potential purchasers should the Group decide to sell certain properties. Such illiquidity may affect the Group's ability to vary its portfolio or dispose of or liquidate part of its portfolio in a timely fashion and at satisfactory prices in accordance with its strategy or in response to changes in economic, real estate market or other conditions. This could have an adverse effect on the Group's financial condition and results of operations.

Some of the Group's construction projects have not been carried out under written contracts.

Over the past six years a number of large-scale renovation, refurbishment and other construction projects have been carried out by the Group at various hotels. Not all of those projects have been performed pursuant to a clear contractual framework. Should a defect arise in any of the work undertaken at the hotels where the construction documentation is lacking, it would be more difficult for the Group to recover any or all of the losses it incurs as a result of that defect from any negligent third party. Such losses could include costs for repair, re-installment and business interruption.

There are certain risks relating to the Park Plaza Westminster Bridge project that are outside the Group's control, such as planning permission, certain guarantees and rights of light.

The Company has a 33.3% interest in Marlbray, the company developing the Park Plaza Westminster Bridge project in London. There are a number of risks relating to this project, such as the following:

- The planning permission for the development of this hotel contains a number of conditions that require the approval by the local planning authority of certain aspects of the development prior to the

start of works onsite. Uncertainty exists as to the status of Marlbray's compliance with some of these conditions. Were the local planning authority to seek to take enforcement action against Marlbray, this could result in the cessation of further works until the required details have been approved, thereby delaying the progress of the development. Such a delay could have a material adverse effect on the Group's financial condition and operations.

- One of the other shareholders in Marlbray has guaranteed to the purchasers of the Park Plaza Westminster Bridge project apartments that they will receive a 6% annual yield on their investment for a period of five years from the date of completion of the sale. Were this guarantee to be called, the Group would be required to fund one-third of the liability, which may have a material adverse effect on the Group's business, financial position and results of operations.
- A neighbouring property may enjoy rights of light over the Park Plaza Westminster Bridge project which could inhibit the proposed development of the site (including size and shape) and adversely affect the profitability of the development.
- The Group has given certain guarantees in relation to the Park Plaza Westminster Bridge project as further described in section 11.5 of Part XI of this document headed "Financing facilities—Bank Hapoalim Facility—Marlbray facility agreement". Were these guarantees to be called the Group's business and financial position may be adversely affected.

3. Risks relating to the hotel industry

The Group is subject to certain risks common to the hotel industry, certain of which are beyond its control.

The Group currently owns, co-owns, operates, manages and franchises hotels in seven countries and has entered into territorial franchise arrangements in relation to other countries. As such, the Group's operations and the results of its operations are subject to a number of factors that could adversely affect the Group's business, many of which are common to the hotel industry and beyond the Group's control, including the following:

- a downturn in international market conditions or the national, regional and/or local political, economic and market conditions in the countries in which the Group operates, may diminish the demand for leisure and business travel and meeting/conference space;
- increases in interest rates which could affect the Group's ability to negotiate future acquisitions on favourable terms;
- the impact of acts of war or increased tensions between countries, increased threats of terrorism or actual terrorist events, impediments to means of transportation (including airline strikes, road closures and border closures), extreme weather conditions, natural disasters, travel-related accidents, outbreaks of diseases and health concerns (such as SARS and avian flu), rising fuel costs or other factors that may affect travel patterns and reduce the number of business and leisure travellers;
- increased competition and periodic local oversupply of guest accommodation in the cities in which the Group has hotels;
- changes in travel patterns or in the structure of the travel industry, including any increase in, or the imposition of new taxes on, air travel;
- increases in operating expenses as a result of inflation, increased personnel costs and health-care related costs, higher utility costs (including energy costs), increased taxes and insurance costs, as well as unanticipated costs as a result of acts of nature and their consequences and other factors that may not be offset by increased room rates; and
- changes in governmental laws and regulations, including those relating to employment, the preparation and sale of food and beverages, smoking, health and alcohol licensing laws and environmental concerns, fiscal policies and zoning ordinances and the related costs of compliance.

The impact of any of these factors (or a combination of them) may adversely affect room rates and occupancy levels in the Group's hotels, or otherwise cause a reduction in the Group's income. Such factors (or a combination of them) may also adversely affect the value of the Group's hotels and in either such case would have a material adverse effect on the Group's business, financial condition and results of operations.

Acts of terrorism have adversely affected the hotel industry generally, and these adverse effects may continue or worsen, particularly if there are further terrorist events.

Increased terrorist activities and the heightened threat of terrorism have had a negative impact on hotel operations globally, resulting in worse than expected performance. The increase in acts of terrorism in general, and the targeting of popular destinations and hotels for their concentration of foreigners in particular, have had an adverse impact on business and leisure travel, hotel occupancy rate and RevPAR. Although the Group is to a certain extent insured against loss caused by terrorist acts, the Group's hotels may be adversely affected from time to time by safety concerns and a significant overall decrease in the amount of air travel, which includes the corporate and premium segments that generally pay the highest average room rates. The uncertainty associated with the continuing "war on terrorism" and the possibility of future attacks, terrorism alerts or outbreaks of hostilities may continue to have a negative effect on business and leisure travel patterns and, accordingly, the performance of the Group's business.

The Group is exposed to the risk of events that adversely impact domestic or international travel.

The Group's room rates and occupancy levels could be adversely affected by events such as actual or threatened acts of terrorism or war, epidemics (such as SARS), travel-related accidents, travel-related industrial action, increased transportation and fuel costs, increased transport related taxes and natural disasters resulting in reduced worldwide travel or other local factors impacting individual hotels.

Terrorist incidents such as the events of 11 September 2001, the London bombings of July 2005 and the war in Iraq in 2003 significantly affected international travel and consequently global demand for hotel rooms. Further incidents or uncertainties of this type may have an adverse impact on the Group's operations and financial results. In addition, inadequate preparedness, contingency planning or recovery capability in relation to a major incident or crisis may prevent operational continuity and consequently impact the value of the brands or the reputation of the Group.

The Group is exposed to the risk of litigation from its guests, customers, actual and potential partners, suppliers, employees, regulatory authorities, franchisees and/or the owners of hotels leased or managed by the Group.

The Group is exposed to the risk of litigation from its guests, customers, actual and potential partners, suppliers, employees, regulatory authorities, franchisees and/or the owners of hotels leased or managed by the Group for breach of legal, contractual or other duties. Although as stated in section 16 of Part XI of this document headed "Litigation", the Group is not involved in any governmental, legal or arbitration which may have, or have during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability and so far as the Directors are aware no such proceedings are pending or threatened, no assurance can be given that disputes which could have such effect would not arise in the future. Exposure to litigation or fines imposed by regulatory authorities may affect the Group's reputation even though the monetary consequences may not be significant.

The Group may not be able to increase or maintain the number of its properties operated by its franchisees or pursuant to its management contracts.

Competition may generally reduce the number of suitable management, franchise and investment opportunities offered to the Group and increase the bargaining power of property owners seeking to engage a manager, become a franchisee or sell a hotel property. There can be no assurance that the Group will be able to identify, retain or add franchisees for the Group's brands or to secure management contracts. There are also risks that significant franchisees or groups or franchisees may have interests that conflict, or are not aligned with, those of the Group. Changes in legislation or regulatory changes may be implemented that have the effect of favouring franchisees relative to brand owners.

The Group is reliant on licences in order to carry on certain of its activities.

The Group operates in a regulated sector of the economy and each of its premises is licensed to sell alcohol. There can be no guarantee that these licences will be renewed in the future, nor that the Company will be able to obtain licences for any new properties. Failure to obtain or hold or the loss of any licences or non-compliance with any licence could have a significant effect on the Group's business, financial condition or results of operations.

Environmental and/or health and safety compliance costs and liabilities may have a material adverse effect on the Group's financial condition and operations.

As an owner and operator of hotels and real properties, the Group is subject to a variety of European Union, national and local laws and regulations concerning environmental and/or health and safety (“EHS”) matters. While the Directors believe that the Group is in compliance in all material respects with EHS laws and regulations currently applicable to it, there can be no assurance that the Group will not be found to be in breach of EHS laws and regulations. The failure to comply with present or future EHS laws and regulations could result in regulatory action, the imposition of fines or third party claims which could in turn have a material adverse effect on the Group's results of operation, its financial condition and/or its reputation. In addition, compliance with new EHS laws and regulations could require the Group to incur significant expenditure that could have a material adverse effect on the Group's results of operation, financial condition or operations.

The Group's real property portfolio comprises properties that have been constructed at various times and, in some cases, on or in areas that have historically been the subject of commercial or industrial uses. As a result, hazardous substances are or may be present within land or buildings (like asbestos) at some of these properties. Development or redevelopment of a Group's property could also reveal the presence of such hazardous substances. EHS laws and regulations could impose obligations on the Group to manage, investigate, remediate, or pay for the management, investigation, remediation of hazardous substances, or pay compensation to third parties for related damages in relation to such hazardous substances. While the Directors are not currently aware of any issues regarding such hazardous substances at any of the Group's properties that would be likely to result in material remediation costs, regulatory action or third party claims, there can be no assurance that management, investigations, remediation or third party claims in respect of such matters will not arise which could have a material adverse effect on the Group's results of operation, financial condition and/or its reputation. If an issue arises in relation to the presence of hazardous substances at any Group property, and it is not remedied or not capable of being remedied, this may also adversely affect the Group's ability to sell, lease or operate its property or to borrow using its property as collateral.

4. Risks relating to the Group's borrowing

The Group will borrow to fund its future growth.

As at 31 December 2006, the Group's *pro forma* bank borrowings were €223 million. The Group may be required to borrow to fund expansion, through the use of its existing facilities or new ones. The extent of the borrowings and the terms thereof will depend on the Group's ability to obtain credit facilities and the lenders' estimate of the stability of the Group's cash flow. Any delay in obtaining or failure to obtain suitable or adequate financing from time to time may impair the Group's ability to expand its hotel portfolio, which is likely to impact negatively on the Company's business, financial condition and results of operations.

The Group's existing debt and the incurring of additional debt by the Group could have a significant impact by:

- affecting the Group's ability to satisfy obligations under its bank facilities;
- increasing the Group's vulnerability to downturns in the hotel real estate market and the economy generally;
- exposing the Group, or increasing its exposure, to interest rate risk;
- requiring the Group to dedicate a substantial portion of cash flow to debt service;
- limiting, through financial and restrictive covenants, the Company's ability to pay dividends or otherwise make loans within the Group, invest in properties or financial instruments, sell assets, borrow additional funds, issue equity, engage in transactions with affiliates;
- subjecting the Group's assets to security interests or creating liens or guarantees; and
- placing the Group at a competitive disadvantage to less highly leveraged competitors.

Failure to satisfy obligations under any current or future financing arrangements could give rise to default risk and require the Company to re-finance its borrowings.

The use of borrowings presents the risk that the Group may be unable to service interest payments and principal repayments or comply with other requirements of its facility agreements. Under the Company's current financing arrangements, the Company is at risk of default upon the occurrence of certain events, which could result in borrowings becoming immediately due and repayable in whole or in part, together with any connected cost. The Group might be forced to sell some of its assets to meet such obligations. Borrowings may not be able to be refinanced or the terms of such refinancing may be less favourable than the existing terms of borrowing. For example, a decline in the value of a property owned by the Group may result in a breach of the loan to value ratio specified in the Group's banking arrangements, thereby causing an event of default. In such a case, the lenders could enforce their security and take possession of the underlying properties. Any cross-default provisions could magnify the effect of an individual default and if such a provision were exercised, this could result in a substantial loss for the Group. Adverse changes to the market values of the Group's portfolio could cause the amount of refinancing proceeds to be insufficient to fully repay its existing debt upon maturity and the Group may be unable to fund payment of such shortfall. Any failure to satisfy debt obligations could result in a default under the terms of current and future financing arrangements, thereby having a materially adverse effect upon the Group's financial condition.

The term loan facility with GSI may be terminated on the occurrence of certain events which are out of the Group's control.

The Group has a £195 million term loan facility agreement with GSI which will be amended by the GSI Amendment Agreement with effect from Admission. Under the terms of this facility, as amended, the following events constitute events of default which, if they occur, allow GSI to demand immediate repayment of the loan:

- the acquisition by a third party of more than 50% of the total voting rights of the Company;
- Mr. Ivesha ceasing to be the Chief Executive Officer of the Company without prior written consent of GSI in its capacity as agent (unless he dies, retires, resigns or is suitably replaced within six months and the agent's prior written consent for his replacement is received); and
- for the 12 months post-Admission, if the Princeton Trust disposes of any Shares it held at the date of Admission or, if at any time whilst the loan is outstanding, the Princeton Trust owns less than 25% of the shares it held as at the date of Admission.

These events are out of the Group's control and were they to occur and GSI to demand repayment of the loan there is no guarantee that the Group could find replacement financing on similar terms or at all. This may have a material adverse effect on the business, financial position and operations of the Group.

5. Risks relating to doing business in emerging and transitional markets

The Group faces certain risks related to operating in emerging and transitional markets.

The Group currently operates a hotel in Hungary and intends to expand its business into other markets in Central and Eastern Europe and Russia as well as territories in the MENA region. Investors in companies operating in emerging and transitional markets such as Central and Eastern Europe, Russia and MENA should be aware that those markets are subject to greater risks than more developed markets, including legal, regulatory, economic and political risks. In particular, changes in the rates of inflation and interest may affect the Company's income and capital value or the value of an investment property. Some of the regions in which the Company intends to invest comprise emerging market nations with economies that are not as fully developed as Western Europe. Further, some of the countries carry risks of political, legal and economic instability which could adversely affect the Company's results or operations. In addition, adverse political or economic developments in neighbouring countries could have a significant negative impact on, among other things, individual countries' GDP, foreign trade or the economy in general.

With any investment in a foreign country there exists the risk of adverse political or regulatory developments including but not limited to nationalisation, confiscation without fair compensation, terrorism, war or currency restrictions. The latter may be imposed to prevent capital flight and may make it difficult or impossible to exchange or repatriate foreign currency.

The Group's operations and pipeline in emerging and transitional markets subject it to additional risks and costs.

Although all but one of the Group's current operations are based in Western Europe, a substantial proportion of the Group's pipeline hotels are in emerging markets such as those in the MENA region. The Group's business, financial condition and results of operations could be materially adversely affected if the selected key emerging markets it intends to enter, or has already entered, are affected by changes in political, economic or other factors, most of which are beyond the Group's control. Factors that could have a material adverse effect on the Group's business, financial condition or results of operations include, but are not limited to, the following:

- the ability of the Group's affiliated entities to pay dividends and group contributions, which is subject to regulatory limits, including local company laws, exchange controls and other regulations;
- the burden and costs of compliance with a variety of local laws and regulations, whether as a result of current laws and regulations or due to changes in those laws and regulations;
- uncertainties relating to the application of legal requirements and the enforceability of laws and contractual obligations;
- increases in the taxes the Group pays and other changes in applicable tax laws; difficult in collecting fees and royalties and longer payment cycles; expropriation of private enterprises;
- political, social and economic instability;
- government interventions, including tariffs, protectionism and subsidies; and
- other external factors.

As the political, economic and social environments in certain countries in which the Group may consider making, investments remain subject to continuing development, investments in these countries are characterised by a significant degree of uncertainty. Any unexpected changes in the political, social, economic or other conditions in these or neighbouring countries may have a material adverse effect on the international investments that the Group makes in the future, which may in turn have a material adverse effect on the Group's business, financial condition and results of operations.

The legal systems in some of the countries where the Group may operate are still developing.

The legal systems in some of the countries where the Group may in the future operate are in transition. The judicial processes are not necessarily similar to those of Western Europe, and parties seeking to rely on the local courts for effective redress in case of a breach of law or regulation, or in an ownership dispute, may find that it difficult to obtain. The legal regimes that cover the private holding and development of real estate have been adopted relatively recently, and there is comparatively greater uncertainty as to how real estate disputes might be resolved in a court proceeding. There is therefore a greater risk of unexpected outcomes which might have a material adverse effect on the Group, and its ability to implement its strategy.

6. Risks relating to the Shares

An investment in AIM-listed securities generally involves a higher degree of risk and can be less liquid than an investment in shares listed on the Official List.

An investment in shares traded on AIM is perceived to involve a higher degree of risk than investment in companies whose shares are listed on the Official List.

AIM is not a regulated market, and a listing on AIM carries with it fewer technical obligations than a listing on the Official List. For example, there are fewer circumstances in which the Company would be required to seek shareholder approval for transactions and the requirements for disclosure of the financial history of any asset holding companies that are acquired may be lower. Investors may suffer actual or perceived prejudice to the extent the Company takes advantage of the increased flexibility it is allowed through an AIM listing.

There has been no prior trading market for the Shares, and an active trading market in the Shares may not develop or be sustained in the future, and possible volatility of the share price and restrictions on transfer may have an adverse impact on holders of the Company's Shares.

There is currently no public trading market for the Shares and there is no assurance that an active market will emerge or can be sustained after the Placing. Even if an active trading market develops, the market price for the Shares may fall below the Placing Price. As a result of fluctuations in the market price of the Shares, investors may not be able to sell their Shares at or above the Placing Price, or at all. Investors may therefore realise less than, or lose all of, their investment.

The price of the Company's Shares may be volatile.

The price at which the Shares are quoted and the price which investors may realise for their Shares will be influenced by a large number of factors, some specific to the Company and its operations and some related to the quoted travel and tourism sector or quoted companies generally and which are outside the Company's control. These factors could include the performance of the Company, large purchases or sales of the Shares, legislative changes in the hotel business environment, general economic, political or regulatory conditions, or changes in market sentiment towards the Shares.

The results of the Company may fluctuate significantly as a result of a variety of factors, many of which may be outside the Company's control. Period to period comparisons of the Company's results may not be meaningful and investors should not rely on them as indications of the Company's future performance. The Company's results may fall below the expectations of securities analysts and investors. In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities and which may be unrelated to the Company's operating performance. Any of these events could result in a decline in the market price of the Shares.

The Placing Price has been determined by negotiations between Euro Plaza and Molteno and Morgan Stanley and may bear no relationship to the price at which the Shares will trade upon completion of the Placing. The market price of the Shares subsequent to the Placing could be subject to fluctuations in response to factors such as actual or anticipated variations in the Group's operating results, changes in estimates or recommendations by financial analysts, currency exchange rates, regulatory developments, general market conditions and other factors. In addition, international financial markets have from time to time experienced price and volume fluctuations, which have been unrelated to the operating performance or prospects of individual companies. Consequently, the trading market for, and the liquidity of, the Shares may be materially adversely affected by general declines in the market or by declines in the market for similar securities.

The sale of a substantial number of the Shares, or the perception that these sales could occur, could adversely affect the price of the Shares.

The Company, Molteno, Euro Plaza, the Directors and two members of senior management have agreed with Morgan Stanley, for a period from the date of this document and continuing to and including, in the case of the Company, the date six months and, in the case of Molteno, Euro Plaza, the Directors and two members of senior management 12 months, after the first day of trading of the Shares on AIM, without the prior written consent of Morgan Stanley, not to submit to the Group's shareholders any proposal for a capital increase, except a proposal made by a shareholder which the Group is required by law to submit, that would enable the Group to issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any of the Shares, or any security convertible into or exchangeable for the Shares (other than pursuant to any share incentive programme approved by a general meeting of Shareholders). Further, subject to certain exceptions, Euro Plaza and Molteno have agreed with Morgan Stanley, for a period from the date of this Admission Document and continuing to and including the date 12 months after the first date of trading of the Shares on AIM, without the prior written consent of Morgan Stanley, not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any of the Shares, or any security convertible into or exchangeable for the Shares. After the expiry of these lock-up periods, these persons will be free to sell their Shares. The price of the Shares could decline as a result of sales of Shares in the market after the Placing, or the perception that these sales could occur. These sales also might make it difficult for the Company to sell equity securities in the future at a time and at a price that it deems appropriate.

7. Risks relating to the taxation of the Group

Changes in tax laws or their interpretation could affect the level of dividends the Company is able to pay.

The levels of, and reliefs from, taxation available to the Company may not be in accordance with the assumptions made by the Company and/or may change. There can be no guarantee that the rates of taxation envisaged by the Directors will be the ongoing rates of taxation paid by the Company.

Changes to the tax laws or practice in Guernsey, the United Kingdom, The Netherlands and/or any other tax jurisdiction affecting the Group could impact on the level of dividends which the Company is able to pay. Specifically, any change in the Group's tax status or changes in tax legislation or tax treaties negotiated by those countries in which the Group operates, or in taxation legislation or taxation practice in Guernsey, the United Kingdom, The Netherlands or any other tax jurisdiction in which the Group operates could affect the value of investments held by the Group or affect the Company's ability to pay dividends or alter the post tax returns to Shareholders. Further, if the assumptions made by the Company as to taxation relief available do not prove correct, the level of dividends the Company is able to pay may be adversely affected. There can be no guarantee that the rates of taxation envisaged by the Directors will be the ongoing rates of taxation paid by the Company.

Whilst a general guide to UK and Guernsey taxation is contained in sections 13 and 14 of Part XI of this document headed "United Kingdom taxation" and "Guernsey taxation", respectively, investors should not rely on such general guidance and should seek their own advice.

Changes to the tax residency of the Company and other members of the Group could adversely affect the Company's financial and operating results.

The Company is considered resident in Guernsey. In order to maintain its non-Israeli, to be non-UK and non-Dutch tax resident status, the Company is required to be centrally managed and controlled outside these jurisdictions and it should be centrally managed and controlled from Guernsey. The composition of the Board, the place of residence of the Board's individual members and the location(s) in which the Board makes decisions will be important in determining and maintaining the Guernsey tax residence of the Company, as far as the authorities in these other territories are concerned. Although the Company is incorporated in Guernsey and the majority of the Directors reside outside the United Kingdom, continued attention must be focused on ensuring that Board meetings are held outside Israel, the United Kingdom and The Netherlands and that major decisions by the Company, including substantive decisions regarding the control and the policy of the Company are taken only at such meetings outside the United Kingdom, The Netherlands and Israel or the Company could acquire dual tax residence, by becoming tax resident in either the United Kingdom, the Netherlands or Israel as well as remaining Guernsey tax resident. Management errors relating to the manner and location of the management and control of the Company could potentially lead to the Company acquiring dual Guernsey tax residence and United Kingdom tax residence or a Dutch tax residence or an Israeli tax residence, which would have a material adverse effect on its financial and operating results and returns to shareholders. This also applies to other members of the Group.

PART VI

SELECTED FINANCIAL INFORMATION ON PPHE HOLDINGS AND EURO SEA

The selected audited consolidated and combined financial information set out below for the years ended 31 December 2004, 2005 and 2006 has been extracted without material adjustment from the consolidated financial information of PPHE Holdings and combined financial information of Euro Sea included in Part IX of this document. The financial information has been prepared in accordance with IFRS (except for certain departures from IFRS, primarily IAS 27) as described further in note 2a to the combined financial information of Euro Sea included in Part IX of this document). As this is only a summary investors are advised to read the whole of this document and not rely solely on the information summarised below.

The following information should be read in conjunction with “Operating and Financial Review” in Part VIII of this document and the consolidated financial statements of PPHE Holdings and the combined financial information of Euro Sea and related notes included in Part IX of this document. PPHE Holdings is the current holding company of the entities which own the hotel management and operating business which will form part of the Group’s business following the Reorganisation. Euro Sea is the current holding company of the entities which own certain hotel real estate interests which will also form part of the Group’s business following the Reorganisation. For further details of the Reorganisation please see section 12.1 of Part XI of this document headed “Related-party transactions—Reorganisation Umbrella Agreement”. Potential investors should be aware however, that while the businesses of PPHE Holdings and Euro Sea are substantially comprised within the businesses which will, following the Reorganisation, comprise the Group, the business of the Group will differ materially from the aggregation of the businesses of PPHE Holdings and Euro Sea. Accordingly, the financial information contained in Parts VI and IX of this document does not accurately reflect the past performance of the businesses which, following the Reorganisation, will form part of the Group and should not be relied on by potential investors when assessing the Group’s past or future performance. In particular:

- neither PPHE Holdings nor Euro Sea own the entities which own and operate the Park Plaza Vondel hotel (which will following the Reorganisation form part of the Group) and therefore the financial information contained in Parts VI and IX of this document and described below does not include any financial information relating to the performance of this hotel;*
- the financial information for Euro Sea comprises information relating to its ownership of the Park Plaza Nottingham and Park Plaza Leeds hotels; the Group will not own these hotels following the Reorganisation and will only have management contracts in relation to them;*
- neither PPHE Holdings nor Euro Sea own the entities which hold the PPHE Group’s minority interests in the Park Plaza Victoria, Park Plaza Riverbank and Park Plaza Sherlock Holmes hotels in London (5%, 10% and 10% respectively) which will following the Reorganisation form part of the Group and therefore the financial information contained in Parts VI and IX of this document and described below does not include any financial information relating to these interests;*
- the financial information for PPHE Holdings and Euro Sea reflects certain loans from other entities in the current groups of these companies and third parties which will, as part of the Reorganisation, be repaid or eliminated on preparation of the Group’s consolidated accounts;*
- the financial information for Euro Sea comprises information relating to certain construction and other businesses which will not form part of the Group following the Reorganisation; and*
- the financial information for Euro Sea for the years ended 31 December 2004 and 2005 reflects the sales of interests in certain hotels previously owned by Euro Sea.*

Selected financial information for PPHE Holdings

Consolidated statements of operations	Year ended 31 December		
	2006	2005 (audited) (€'000)	2004
Revenues	37,813	29,821	28,309
Cost of revenues ⁽¹⁾	(24,867)	(17,239)	(15,164)
Gross profit	12,946	12,582	13,145
Depreciation and amortisation	(592)	(512)	(579)
Other operating expenses	(5,884)	(5,236)	(4,651)
Profit from operations⁽²⁾	6,470	6,834	7,915
Financial expenses, net	(13,368)	(11,713)	(11,265)
Income taxes	659	(23)	(192)
Net profit (loss) for the year	(6,239)	(4,902)	(3,542)

Notes:

(1) Includes hotel rental relating to operating leases.

(2) This represents the results of the businesses which, following the Reorganisation, will be the Group's management business and the businesses of the hotels operated by the Group under operating leases.

Consolidated balance sheet	31 December		
	2006	2005 (audited) (€'000)	2004
Non-Current Assets	7,641	7,244	7,708
Intangible assets	6,612	7,091	7,569
Furniture, fixtures and equipment	364	153	139
Deferred tax	665	—	—
Current Assets	13,250	11,515	8,572
TOTAL ASSETS	20,891	18,759	16,280
Deficiency⁽¹⁾	(224,136)	(217,895)	(213,007)
Non-Current Liabilities	238,211	230,476	221,550
Loans from related parties	237,989	230,314	221,388
Current Liabilities	6,816	6,178	7,737
TOTAL DEFICIENCY AND LIABILITIES	20,891	18,759	16,280

Note:

(1) These deficiencies are the accumulated losses due to interest payments on a shareholder loan from Golden Wall to PPHE Holdings. Following the Reorganisation, Golden Wall will be a wholly-owned subsidiary of the Group and therefore these amounts will be eliminated in the Company's consolidated statement of operations.

Consolidated statement of cash flows	Year ended 31 December		
	2006	2005 (audited) (€'000)	2004
Cash flows from operating activities	1,726	2,482	863
Cash flows from investing activities	(324)	(48)	(78)
Cash flows from financing activities	60	—	—
Net foreign exchange differences	(2)	14	(25)
Increase in cash and cash equivalents	1,460	2,448	760
Cash and cash equivalents at the beginning of the year	4,307	1,859	1,099
Cash and cash equivalents at the end of the year	5,767	4,307	1,859

Selected financial information for Euro Sea

Combined statement of operations	Year ended 31 December		
	2006	2005 (audited) (€'000)	2004
Revenues	65,594	51,221	42,937
Cost of revenues	(39,088)	(30,749)	(23,617)
Gross profit	26,506	20,472	19,320
Depreciation	(6,808)	(5,476)	(4,404)
Other operating expenses	(13,090)	(11,005)	(7,357)
Profit from operations	6,608	3,991	7,559
Gain on sale of investment properties and Investment in associate	—	11,301	6,102
Financial expenses, net	(17,434)	(13,759)	(12,612)
Income taxes (the benefit)	1,585	711	(169)
Profit (loss) for the year	(12,326)	822	1,218

Combined balance sheet	31 December		
	2006	2005 (audited) (€'000)	2004
Non-Current Asset	219,731	203,196	201,616
Current Assets	16,717	17,228	13,849
Trade receivables	4,342	3,667	2,473
Other Current Assets	4,650	3,245	5,907
Cash and cash equivalents	7,725	10,316	5,469
TOTAL ASSETS	236,448	220,424	215,465
Equity	(8,333)	566	(379)
Non-Current Liabilities	175,419	164,017	197,964
Bank loans	171,872	156,246	189,743
Other non-current liabilities	3,547	7,771	8,221
Current Liabilities	69,362	55,841	17,880
Total Liabilities	244,781	219,858	215,844
TOTAL EQUITY & LIABILITIES	236,448	220,424	215,465

Combined statement of cash flows	Year ended 31 December		
	2006	2005 (audited) (€'000)	2004
Cash flows from operating activities	823	(5,081)	(8,411)
Cash flows from investing activities	(19,576)	(17,365)	7,962
Cash flows from financing activities	15,703	27,260	1,491
Increase (decrease) in cash and cash equivalents	(3,050)	4,814	1,042
Net foreign exchange differences	459	33	(404)
Cash and cash equivalents at beginning of year	10,316	5,469	4,831
Cash and cash equivalents at end of year	7,725	10,316	5,469

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PART VII
UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information of the Group has been prepared by management to show the effect on the consolidated balance sheet of the Group at 31 December 2006, as if the Placing and the acquisition of the Euro Sea Group (which for accounting purposes is treated as a merger) and the acquisition of the Park Plaza Group, had occurred at that date, and the effect on the consolidated statement of operations for the year ended 31 December 2006 as if the acquisition of the Euro Sea Group (which for accounting purposes is treated as a merger) and the acquisition of the Park Plaza Group had occurred at 31 December 2005.

The unaudited pro forma financial information has been prepared on a basis consistent with the Company's accounting policies and reflects the adjustments described below. This information is prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and it does not represent the Group's actual financial position nor its actual results of operations.

The principal adjustments made are as follows:

- the receipt of the net proceeds and issuance of Shares pursuant to the Placing;*
- a fee payable by the Company, conditional on completion of the Placing, to GSI of approximately €3 million in consideration for GSI agreeing to amend the facility agreement amongst certain members of the Group and GSI;*
- the acquisition of the Euro Sea Group (which for accounting purposes is treated as a merger) in consideration for the issuance of Shares which will be recorded at the book value of net assets acquired;*
- the acquisition of the Park Plaza Group, being PPHE Holdings, PHH (the holding company of the entities which own and operate the Park Plaza Vondel), Golden Wall (the entity which has entered into the Territorial Licence Agreement) and the minority shareholding in Riverbank (10%, being the holding company of the entities which own and operate the Park Plaza Riverbank), Grandis (10%, being the holding company of the entities which own and operate the Park Plaza Sherlock Holmes) and Victoria Hotel (5%, being the holding company of the entities which own and operate the Park Plaza Victoria) in consideration for the issuance of a certain number of Shares;*
- the acquisition of the worldwide rights to the art'otel brand name in consideration for €4 million to be settled by the issuance of Shares at Admission;*
- the elimination of all inter-company transactions and balances;*
- the disposal at their carrying values of the assets and liabilities of certain companies;*
- the disposal at a gain of approximately €9.3 million of one of the companies that owns a hotel in Hungary;*
- the recognition of a deferred tax asset in the amount of €525,000 on 31 December 2005 in respect of Euro Sea Group's tax loss carry-forward; and*
- other adjustments related to the Reorganisation which includes the disposals of certain companies and a dividend distribution by Euro Sea Group of approximately €23.5 million.*

UNAUDITED *PRO FORMA* CONSOLIDATED BALANCE SHEET

	The Company (Note 1)	Proceeds of the Placing (Note 2(a))	Merger of Euro Sea Group (Note 2(b))	Acquisition of Park Plaza Group (Note 2(c))	Other adjustments (Note 2(d))	Unaudited <i>pro forma</i> balance sheet
	€'000 ⁽¹⁾	€'000	€'000	€'000	€'000	€'000
ASSETS						
Non-current assets						
Property, plant and equipment	—	—	175,516	51,368	(47,158)	179,726
Investment in associates	—	—	10,028	—	—	10,028
Prepaid leasehold payments	—	—	18,678	9,099	—	27,777
Intangible fixed assets	—	—	—	48,404	4,000	52,404
Loans to related parties	—	—	10,242	238,033	(248,275)	—
Other financial assets	—	—	4,753	1,012	(186)	5,579
Total non-current assets	—	—	219,217	347,916	(291,619)	275,514
Current assets						
Inventories	—	—	449	235	(173)	511
Receivables and other current assets	—	—	1,902	1,487	(1,216)	2,173
Trade accounts receivable	—	—	4,550	6,808	(1,161)	10,197
Short-term deposits	—	—	1,564	2,888	—	4,452
Related parties	—	—	256	18	(274)	—
Cash and cash equivalents	—	116,525	7,725	7,039	(3,700)	127,589
Total current assets	—	116,525	16,446	18,475	(6,524)	144,922
TOTAL ASSETS	—	116,525	235,663	366,391	(298,143)	420,436
	The Company (Note 1)	Proceeds of the Placing (Note 2(a))	Merger of Euro Sea Group (Note 2(b))	Acquisition of Park Plaza Group (Note 2(c))	Other adjustments (Note 2(d))	Unaudited <i>pro forma</i> balance sheet
	€'000	€'000	€'000	€'000	€'000	€'000
LIABILITIES						
Non-current liabilities						
Bank loans	—	—	171,872	41,466	—	213,338
Other financial liabilities	—	—	215	2,442	—	2,657
Related parties	—	—	2,140	237,989	(240,129)	—
Deferred income tax liability	—	—	1,192	1,025	(525)	1,692
Total non-current liabilities	—	—	175,419	282,922	(240,654)	217,687
Current liabilities						
Trade accounts payable	—	—	8,989	2,340	(5,729)	5,600
Payable and other current liabilities	—	—	12,030	5,341	(2,909)	14,462
Related parties	—	—	16	960	2,330	3,306
Bank loans and overdrafts	—	—	47,542	548	(38,428)	9,662
Total current liabilities	—	—	68,577	9,189	(44,736)	33,030
Total liabilities	—	—	243,996	292,111	(285,390)	250,717
EQUITY						
Issued capital, share premium and capital reserves	—	116,525	13,919	60,935	4,000	195,379
Accumulated deficit	—	—	(22,252)	13,345	(16,753)	(25,660)
Total equity	—	116,525	(8,333)	74,280	(12,753)	169,719
TOTAL EQUITY AND LIABILITIES	—	116,525	235,663	366,391	(298,143)	420,436

UNAUDITED *PRO FORMA* CONSOLIDATED STATEMENT OF OPERATIONS

	Year end 31 December 2006				
	The Company (Note 1)	Merger of Euro Sea Group (Note 2(b))	Acquisition of Park Plaza Group (Note 2(c))	Other adjustments (Note 2(d))	Unaudited <i>pro forma</i> statement of operations
	€'000	€'000	€'000	€'000	€'000
Revenues:					
Hotel operations	—	60,145	36,059	(14,665)	81,539
Construction income	—	4,997	—	(4,997)	—
Management fees	—	—	7,303	(3,533)	3,770
Franchise fees	—	—	3,481	(1,241)	2,240
Others	—	452	572	(360)	664
Total revenues	—	65,594	47,415	(24,796)	88,213
Cost of revenues	—	(39,088)	(30,246)	15,366	(53,968)
Gross profit	—	26,506	17,169	(9,430)	34,245
Depreciation and amortisation	—	(6,808)	(3,857)	1,430	(9,235)
Other operating expenses	—	(13,090)	(5,703)	7,355	(11,438)
Profit from operations	—	6,608	7,609	(645)	13,572
Financial expenses, net	—	(17,434)	(3,738)	2,843	(18,329)
Shares in profits of associate	—	85	—	—	85
Profit (loss) before income taxes	—	(10,741)	3,871	2,198	(4,672)
Income taxes, net	—	(1,585)	559	96	(930)
Profit (loss) for the year	—	(12,326)	4,430	2,294	(5,602)
EBITDA ^(*)					22,807
EBITDAR ^(**)					31,723

(*) Earnings before interest, tax depreciation and amortisation.

(**) Earnings before interest, tax depreciation, amortisation and rent (hotel rental).

(1) The financial information relating to the Company as at 18 June 2007 has been extracted without material adjustment from the financial information included in Part IX of this Admission Document.

(2) Adjustments have been made to reflect:

(a) The net proceeds of the Placing, calculated as follows^(*):

	€'000
Gross Placing proceeds	125,525
Estimated Placing expenses	(9,000)
	<u>116,525</u>

(*) For the purposes of calculating the Placing proceeds and expenses, an exchange rate of €1.4772 per £1 was used.

(b) This adjustment represents the merger of the Euro Sea Group. The consideration will take the form of the issuance of shares of the Company and will be recorded at the book value of the net assets acquired. Assets and liabilities of Euro Sea Group have been extracted without material adjustment from the combined financial information included in Part IX of this Admission Document. This transaction will be accounted for as a pooling of interests and accordingly no adjustment has been made to the book values of the assets and liabilities.

(c) This adjustment relates to the acquisition of those entities referred to as the Park Plaza Group being PPHE Holdings, ParkVondel Holdings B.V, Golden Wall and the minority share holdings in Riverbank (10%), Grandis (10%) and Victoria B.V. (5%) and is based upon the financial information of PPHE Holdings included in Part IX of this Admission Document, and on audited financial information of the other companies, adjusted for a preliminary assessment of the fair

value of the assets and liabilities of Park Plaza Group. This adjustment is further analysed below. The estimated total consideration for the acquisition is €60,934,500 and will be settled by the issue of Shares by the Company and is based on; i) the share that the Park Plaza Group owner has in the Company (30%) prior to the Placement and prior to the acquisition of the art'otel rights and ii) the fair value of the Company based on the price of the Company Shares upon the Admission. This acquisition will be accounted for under the purchase method and the Company is required to perform an exercise to assess the fair value of the assets acquired and liabilities assumed and allocate the consideration accordingly. The excess of the fair value of the assets acquired and liabilities assumed over the total consideration will be recognised immediately as a gain. The effect of the fair value of Park Plaza Group is reflected in this adjustment as follows:

	<u>Book Value</u>	<u>Adjustments</u>	<u>Fair Value</u>
		€'000	
Property, plant and equipment	39,669	11,699 ⁽¹⁾	51,368
Prepaid leasehold payments	3,520	5,579 ⁽²⁾	9,099
Intangible fixed assets	6,612	41,792 ⁽³⁾	48,404
Accumulated deficit (gain on acquisition)	—	(13,345) ⁽⁴⁾	(13,345) ⁽⁴⁾

- (1) Adjustments (based on the appraised value of the properties as valued by Savills as of June 2007) are allocated to land of ParkVondel Holdings B.V. and Victoria Park Plaza hotels and are not depreciated.
- (2) Adjustments (based on the appraised value of the properties as valued by Savills as of June 2007) are allocated to lease hold rights of Park Plaza Riverbank and Park Plaza Sherlock Holmes hotels and are depreciated over the lease period (95-125 years).
- (3) Adjustments are allocated to franchise and management rights and are amortised over the estimated remaining useful life of the assets, 20 years.
- (4) Gain on acquisition was determined as follows:

	€'000
Total consideration (*)	60,935
Less: Book value of net assets acquired	13,850
Euro Sea Group's share of the deficit of joint ventures (**)	2,888
Excess of consideration over book value	44,197
Excess allocated based on fair value to:	
Property, plant and equipment	(11,699)
Prepaid leasehold payments	(5,579)
Intangible fixed assets	(41,792)
Recognition of deferred tax liability	1,528
Excess of fair value of net assets acquired over the total consideration (gain on acquisition)	(13,345)

(*) The transaction is based on the price of the Company's shares upon the Admission.

(**) Elimination of the provision in the amount of €2,888 thousand for half of Park Plaza Group's share of the losses of joint ventures, that were financed by Euro Sea Group, and, therefore, reflected in the results of Euro Sea Group through 31 December 2006.

The following shows the component parts of the adjustment to reflect the acquisition of the Park Plaza Group:

	PPHE Holdings in book values (a) €'000	Park Vondel Holdings B.V. in book values €'000	Golden Wall in book values €'000	The minority share holdings in book values (b) €'000	Other adjustments (c) €'000	Park Plaza Group adjustments to fair values €'000	Acquisition of Park Plaza Group €'000
ASSETS							
Non-current assets							
Property, plant and equipment	364	20,303	—	19,002	—	11,699	51,368
Investment in associates	—	—	—	—	—	—	—
Prepaid leasehold payments . .	—	—	—	3,520	—	5,579	9,099
Intangible fixed assets	6,612	—	—	—	—	41,792	48,404
Goodwill	—	—	—	—	(2,888)	2,888	—
Loans to related parties	—	—	238,033	—	—	—	238,033
Deferred tax	665	—	—	—	(665)	—	—
Other financial assets	—	324	—	688	—	—	1,012
Total non-current assets	7,641	20,627	238,033	23,210	(3,553)	61,958	347,916
Current assets							
Inventories	209	—	—	26	—	—	235
Receivables and other current assets	1,264	96	—	127	—	—	1,487
Trade accounts receivable . . .	5,951	221	—	636	—	—	6,808
Short-term deposits	—	2,540	—	348	—	—	2,888
Related parties	59	—	—	(41)	—	—	18
Cash and cash equivalents . .	5,767	715	—	557	—	—	7,039
Total current assets	13,250	3,572	—	1,653	—	—	18,475
TOTAL ASSETS	20,891	24,199	238,033	24,863	(3,553)	61,958	366,391
	PPHE Holdings in book values (a) €'000	Park Vondel Holdings B.V. in book values €'000	Golden Wall in book values €'000	The minority share holdings in book values (b) €'000	Other adjustments (c) €'000	Park Plaza Group adjustments to fair values €'000	Acquisition of Park Plaza Group €'000
LIABILITIES							
Non-current liabilities							
Bank loans	—	17,714	—	23,752	—	—	41,466
Other financial liabilities . . .	60	350	—	3,659	(1,627)	—	2,442
Related parties	237,989	—	3,522	—	(3,522)	—	237,989
Deferred income tax liability	162	—	—	—	(665)	1,528	1,025
Total non-current liabilities .	238,211	18,064	3,522	27,411	(5,814)	1,528	282,922
Current liabilities							
Trade accounts payable	1,788	73	—	479	—	—	2,340
Payable and other current liabilities	4,869	781	—	952	(1,261)	—	5,341
Related parties	159	4,714	98	489	(4,500)	—	960
Bank loans and overdrafts . .	—	277	—	271	—	—	548
Total current liabilities	6,816	5,845	98	2,191	(5,761)	—	9,189
TOTAL LIABILITIES	245,027	23,909	3,620	29,602	(11,575)	1,528	292,111
Net assets (liabilities)	(224,136)	290	234,413	(4,739)	8,022	60,430	74,280

(a) Extracted without material adjustment from the financial information included in Part IX of this Admission Document.

(b) The minority share holdings in Riverbank (10%), Grandis (10%) and Victoria (5%).

(c) Other adjustments are comprised of the following:

- (i) Conversion to equity of loans to Park Plaza Group by a related party of approximately €8,022 thousand.
- (ii) Adjustment in the amount of €2,888 thousand to reflect Euro Sea Group's share of the deficit of joint ventures that were financed by Euro Sea Group prior to the Acquisition of Park Plaza Group (see also note 2d(vi)).
- (iii) Reclassification of deferred taxes in the amount of €665 thousand.

	PPHE Holdings in book values (a)	Park Vondel Holdings B.V. in book values	Golden Wall in book values	The minority share holdings in book values (b)	Other adjustments (c)	Park Plaza Group adjustments to fair values	Acquisition of Park Plaza Group
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenues:							
Hotel operations	27,029	3,715	—	5,315	—	—	36,059
Management fees	7,303	—	—	—	—	—	7,303
Franchise fees	3,481	—	—	—	—	—	3,481
Others	—	568	—	4	—	—	572
Total revenues	37,813	4,283	—	5,319	—	—	47,415
Cost of revenues	(24,867)	(2,410)	—	(2,969)	—	—	(30,246)
Gross profit	12,946	1,873	—	2,350	—	—	17,169
Depreciation and amortisation	(593)	(327)	—	(841)	—	(2,096)	(3,857)
Other operating expenses . . .	(5,884)	(383)	—	(840)	1,404	—	(5,703)
Profit (Loss) from operations	6,469	1,163	—	669	1,404	(2,096)	7,609
Financial expenses (Income), net	(13,368)	(1,063)	12,968	(2,675)	400	—	(3,738)
Profit (loss) before income taxes	(6,899)	100	12,968	(2,006)	1,804	(2,096)	3,871
Income taxes, net	659	(100)	—	—	—	—	559
Profit (loss) for the year . . .	(6,240)	—	12,968	(2,006)	1,804	(2,096)	4,430
EBITDA ^(*)	7,062						
EBITDAR ^(**)	15,978						

(*) Earnings before interest, tax depreciation and amortisation.

(**) Earnings before interest, tax depreciation, amortisation and rent (hotel rental).

Notes:

(a) Extracted without material adjustment from the financial information included in Part IX of this Admission Document.

(b) The minority shareholdings in Riverbank (10%), Grandis (10%) and Victoria (5%).

(c) Other adjustments comprise the following:

- (i) Due to the acquisition of Park Plaza Group, which results in recording Park Plaza Group's entire share of the losses of these Joint Ventures (see also note 2(c) (4) (**)) in the *pro forma* statement of operations, the provision recorded by Euro Sea's Group for these losses is not required. The effect on the *pro forma* statement of operations for the year ended 31 December 2006 is the elimination of an expense in the amount of €1,404 thousand.
- (ii) The elimination of interest expense in 2006 in the amount of €400 thousand was due to the conversion to equity of loans to Park Plaza Group by a related party of approximately €8 million prior to Admission.

(2)(d) The other *pro forma* adjustments include the effects of the following:

- (i) Elimination of inter-company transactions and balances.
- (ii) Disposal at their carrying values of the net assets of Gear Construction Management Ltd., WW Gear Construction Ltd, Euston Road Properties Limited, Irish River Holdings B.V, Albert Hotel Holdings Ltd, Leno, Taravilla Ltd and disposal of Andrassy Ut 25 Kf. at gain, before and after

tax, of approximately €9.3 million. The main impact on the statement of operations arising from the adjustment to eliminate the trading results relating to these entities is as follows:

	Year ended 31 December 2006
	€'000
Decrease in revenues	20,021
Decrease in cost of revenues	14,125
Decrease in depreciation and amortization	1,630
Decrease in other operating expenses	3,822
Increase in profit for the year	3,120

The main impact on the 31 December 2006 balance sheet of these disposals is as follows:

	31 December 2006
	€'000
Decrease in non-current assets	47,246
Increase in current assets	11,857
Decrease in non-current liabilities	—
Decrease in current liabilities	44,641
Increase in equity	9,252

- (iii) Dividend by Euro Sea Group of approximately €23.5 million prior to Admission. Part of the dividend (approximately €8 million) has been offset against a loan receivable from Atlantic Pacific (the parent company of Euro Sea Group prior to the Admission). The impact on the statement of operations of the dividend distribution is the elimination of interest income derived from the abovementioned loan in 2006 in the amount of €625 thousand.
- (iv) Recognition of deferred tax asset in the amount of €525 thousand on 31 December 2005 in respect of Euro Sea Group's tax loss carry-forward that can be utilised to offset against the deferred tax liability arising on the acquisition of Park Plaza Group.
- (v) Conditional on completion of the Placing, the Company will pay approximately €3 million to GSI in consideration for GSI agreeing to amend the facility agreement between certain members of the Group and GSI.
- (vi) Acquisition of art'otel rights. Conditional on the completion of the Placing the Company will acquire the worldwide rights to use the art'otel brand name for an unlimited period of time. The consideration of €4 million is to be settled by issuance of Shares at the Placing Price.

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PART VIII

OPERATING AND FINANCIAL REVIEW

The following review should be read in conjunction with: the “Selected financial information on PPHE Holdings and Euro Sea” and “Pro forma financial information” in Parts VI and VII, respectively, of this document; and the audited consolidated financial statements and notes thereto of PPHE Holdings and Euro Sea included in Part IX of this document. This review contains forward-looking statements that involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual investment performance, results of operations, financial conditions, liquidity and dividend policy of the Group, as well as the development of its financial strategies, may differ materially from the impression created by the forward-looking statements contained herein as a result of certain factors including, but not limited to, those described in the risk factors in Part V of this document.

Background

The Group owns, co-owns, leases, franchises and manages full service four-star deluxe hotels and trendy boutique hotels in major gateway cities and regional centres in Europe and MENA. The Group operates under two distinct brands, “Park Plaza” and “art’otel”. The Group’s strategy is to tap into the growing “affordable luxury” market by offering a high quality product at attractive prices and to continue to expand its portfolio. The Group’s hotel portfolio comprises 24 operating hotels located in six European countries and Israel, offering a total of 4,128 rooms. Two of these hotels are owned by the Group, five are co-owned, eight are operated under operating leases, three are managed with no ownership interest and six are operated by third parties under franchise agreements. The Group’s committed projects comprise four new hotels and an extension to an existing hotel all under development or refurbishment, that together are expected to provide a further 1,843 rooms by the end of 2010. In addition, the Group has entered into territorial franchise arrangements pursuant to which a further 12 hotels (comprising in aggregate 2,210 rooms) are targeted to be opened by the end of 2010.

The following table sets forth the total number of hotel rooms that the Group operated under each type of interest or contractual arrangement as of the dates indicated.

<u>Hotel rooms</u>	<u>Year ended 31 December</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Ownership and co-ownership	1,549	1,405	945
Operating leases	1,142	842	842
Management agreements	594	594	594
Franchise agreements	843	565	436
Total	<u>4,128</u>	<u>3,406</u>	<u>2,817</u>

The Group has rights to two brands which the Directors believe have significant upside potential. The Group has the exclusive right to use the Park Plaza brand in 56 countries in the EMEA region, through a territorial licence agreement with Carlson, a leading US travel and hospitality company. In addition to the brand itself, the Group’s relationship with Carlson allows it to benefit from Carlson’s global brand infrastructure, reservation system and sales and marketing platform. The Group will also, following Admission, own the art’otel brand (subject to certain rights in favour of a third party as described in section 6 of Part I of this document headed “The Group’s brands and intellectual property rights—art’otel”).

Types of hotel operations

General

As mentioned above, the Group’s interests in the hotels in its portfolio fall into four main categories: ownership or co-ownership, operating leases, management agreements and franchise agreements. The manner in which the operating results of any particular hotel are reflected in the Group’s financial statements will depend on the type of interest the Group has in relation to that hotel as described below.

Ownership and co-ownership

The Group owns two, and co-owns five, of the hotels in its current portfolio. It will also own one of its committed projects and co-own the proposed extension to the Park Plaza Victoria Amsterdam.

All of the revenues generated by the Group's wholly-owned hotels are shown in the Company's consolidated statement of operations as are all of the cost of those revenues. Where the Group co-owns a hotel, a portion of that hotel's revenue (and cost of revenue) equal to the Group's percentage ownership interest in that hotel is shown in the Company's consolidated statement of operations. Wholly-owned hotels are shown in the Company's balance sheet at cost whereas, in the case of co-owned hotels, a portion of the cost of the hotel equal to the Group's percentage ownership interest in that hotel is shown in the balance sheet.

The Group provides management services to all the hotels it owns or co-owns and will provide management services to all the committed projects it will own or co-own. Where the hotel is wholly-owned by the Group, the management fees payable to the Group (and expense of those fees to the relevant operating company within the Group) are eliminated when preparing the Group's consolidated statement of operations. However, where the hotel is co-owned, the portion of the management fees attributable to the interest in the hotel not owned by the Group is shown in the Group's consolidated statement of operations. The Group receives fees in respect of these services primarily from a basic fee of 2% of hotel room revenues plus an incentive fee of 7% of the gross operating profit from the hotel operations. In addition, the Group is entitled to receive head office reimbursement costs of up to 3% of gross operating profit to cover central overhead expenses.

Operating leases

Seven of the Group's nine hotels in Germany and the Group's hotel in Budapest are operated under operating leases. These tend to be long-term arrangements under which the Group leases a hotel from a third party property owner for periods of 15 to 25 years and often include options to extend for varying periods. Monthly rental payments are based on a percentage of the operating revenues or gross operating profit of that hotel subject, in most cases, to a minimum amount which is independent of the operating revenue or gross operating profit. Operating leases require a lower capital investment than owning or co-owning a hotel. For an analysis of the Group's liabilities under its existing operating leases please see the section of this Part VIII headed "Liquidity and capital resources—Contractual obligations and commitments". The Group also provides management services to these hotels and receives a basic fee of up to 3% and an incentive fee of up to 10% in respect of such services.

The revenues generated by the Group's operating lease hotels are shown in the Group's income statement as are the costs of those revenues (which include the rental payments). The Group manages all of its operating lease hotels but, as with wholly-owned hotels, the management fees payable to the Group and the expense of those fees to the relevant operating company within the Group are eliminated when preparing the Group's consolidated statement of operations. The principal difference between operating leases and owned or co-owned hotels is that operating leases are not shown as an asset in the Company's consolidated balance sheet.

Management contracts

The Group provides management services to three hotels which are owned by third-party hotel owners. All of these hotels are operated under the Group's brands and the third party owners are given access to the CRS for the purposes of marketing these hotels. The Group receives a fee based on gross room revenue in consideration for the brand rights and access to the CRS. The Group also receives fees for other services such as sales and marketing.

Under a management contract, the hotel proprietor is responsible for all investments in and costs of operating the hotel, including the funding of periodic maintenance and repair, as well as for insurance of the hotel property. The employees that operate the hotels are in general employees of the hotel proprietor. The Group's responsibilities under a management agreement typically include supervising:

- compliance of the hotel with the brand standard and providing the system infrastructure necessary for the hotel to operate under the respective brand;
- administration of the hotels, including the preparation of budgets, accounting, purchasing, marketing, compliance with applicable laws and regulations and routine legal matters; and
- managers and employees in the performance of their duties as well as their training and hiring.

All of the Group's management contracts with third parties are terminable by either party on six months' notice plus payment of an additional 12 months' fees.

The fees received by the Group under these management contracts appear as revenue on the Company's consolidated income statement.

Franchise agreements

The Group currently has franchise agreements in respect of six hotels in Cardiff, Berlin, Trier, Belfast, Dublin and Tel Aviv with selected operators. The Group has entered into two territorial franchise agreements for the Republic of Ireland, Northern Ireland and Morocco, Egypt and the Gulf States. Pursuant to these territorial franchise agreements the franchisees are required to open a total of 12 hotels before the end of 2010 (failing which they will lose their exclusivity in the relevant territory).

Under the Group's franchise agreements, third party hotel operators are granted licences for a fixed period to use one of the Group's two brands either in relation to a specific hotel or in relation to a particular territory. Accordingly, under such agreements, the Group neither owns, leases nor manages the hotel. The Group derives revenue from a brand royalty or licensing fee which, under most of the franchise agreements is equal to 3.5% of hotel revenues, and a one-off fee on a per room basis (from US\$100 in MENA up to €200 in Europe) once hotels are opened with the "Park Plaza" or the "art'otel" brand, as well as other fees for services connected with the brands, such as marketing.

The duration of the Group's franchise agreements varies, but they are typically for a term of 10 years or longer. Where the Group enters into an exclusive franchise arrangement in respect of a particular territory, the third party operator is generally required to open a targeted number of hotels within specified periods of time. If these targets are missed, then the exclusivity of the arrangement falls away. In addition, the Group has the right to terminate the franchise agreement if the franchisee does not meet the quality standards and certain other requirements of the agreement.

As with management arrangements, the fees received by the Group under franchise arrangements appear as revenue on the Company's consolidated income statement.

Principal factors affecting the Group's results of operations

The following are the principal factors affecting the Group's results of operations:

- the size of the Group's hotel portfolio and the nature of its interests in the hotels;
- the type and mix of the Group's customers;
- existing and potential competition and room supply within the markets in which the Group operates;
- seasonality of the hotel business; and
- general economic, political, social and market conditions and major events.

Size of the Group's hotel portfolio and the nature of its interests in the hotels

The Group's revenues and cost of revenues depends to a large extent on the number of hotels in its portfolio and the nature of the Group's interest in each hotel (see the section headed "Types of hotel operations" in this Part VIII for further details). Hotels which the Group owns, co-owns or operates under an operating lease tend to be the most important in terms of revenue generation and are also the most costly in terms of operating expenses and capital investment. Conversely, managed and franchised hotels tend to generate less revenue than owned or co-owned hotels or hotels operated under operating leases, but require little or no investment and incur little or no operating cost on the part of the Group.

As the Group expands its portfolio it is expected that both the Group's revenue and the cost of that revenue will increase. However, where the Group opens a new hotel (rather than acquires an existing hotel), there is often a time lag between the Group starting to incur costs in relation to that hotel and it generating revenues. Where the Group opens a new hotel, there is often a pre-opening period during which the Group incurs costs such as salaries and other operating expenses before that hotel is open and therefore generates any revenues. Additionally, following the opening of a new hotel there is often a soft opening period of three to six months during which only a limited number of rooms or food and beverage facilities are open to customers. Even after this soft opening period a newly opened hotel tends to take approximately two to three years depending on the market before the revenues for that hotel stabilise. This

effect is most pronounced in the Group's owned and co-owned hotels and those hotels which it operates under operating leases, but also affects (albeit to a lesser extent) hotels which the Group operates under management agreements or franchises.

The type and mix of the Group's customers

The Group's revenues are affected by the type and mix of customers staying at its hotels. For example, business customers tend to pay higher average room rates than most leisure customers however, business customers usually only stay on weekdays. Leisure customers are therefore required to maintain occupancy rates during weekends and public holidays so as to optimise the Group's RevPAR. During the financial year ended 31 December 2006 the Company estimates that approximately 60% of its customers were business customers and 40% were leisure customers.

Within these two categories of customers there are sub-categories the mix of which also affects room rates. For example, a large proportion of business customers (accounting for approximately 46% of the Group's total revenues during 2006) book through major business travel agencies or are from major corporates with which the Group has negotiated discounted room rates. Although average room rates for these customers tend to be lower than other types of business customers (who do not have such arrangements), they generate reliable levels of demand thereby helping to maintain occupancy rates. In the case of leisure travellers, the Group's Park Plaza hotels have a number of arrangements with tour groups which tend to have room rates at the lower end of the Group's scale but guarantee a degree of occupancy. The Group also tends to leave a small number of rooms in its hotels available for customers who do not make advance reservations at all as these customers tend to pay the highest average room rates.

Existing and potential competition and room supply within the markets in which the Group operates

Competition within the hospitality industry affects the Group's revenues as does the supply of rooms in the markets in which the Group operates. Competitive factors in the hospitality industry include brand recognition, quality of service, location and quality of property, pricing and range and quality of food services and amenities offered. All of the Group's hotels are located in areas where there are numerous competitors. New or existing competitors could offer lower rates or more convenient locations, services or amenities, or could significantly increase the supply of rooms and/or improve or introduce new service offerings in markets in which the Group's hotels' compete, thereby posing a greater competitive threat than at present. Were this to happen the Group's occupancy rates or average room rates could be adversely affected either of which would adversely affect the Group's revenues. Conversely, markets such as Amsterdam in which supply is restricted (for example because of lack of space or because of restrictive planning laws) tend to have higher occupancy and average room rates.

Seasonality of the hotel business

The Group's business is seasonal in nature. The Group generally expects that, in the absence of unusual circumstances, visits by business guests are subject to seasonality with May, June, September, October and November generating the highest revenues. Revenues generated by leisure guests are generally higher in the summer months, especially in July and August, which are the main vacation months in Europe.

General economic, political, social and market conditions and major events

Fluctuations in the Group's revenues are also affected by general economic, political, social and market conditions in the countries and cities in which the Group operates. This is particularly true for conference trade which comprises an important part of the Group's revenue. Revenues can also be affected by major events, either adversely (for example by natural disasters or terrorist attacks) or positively (for example by major sporting events), which in turn affects levels of business and leisure travel. For example, the Group's revenues arising from the operation of its hotels in Germany were materially increased during 2006 primarily as a result of the World Cup in Germany.

Explanation of key statement of operations items

Revenues

Changes in the Group's revenues are mainly attributable to the following performance indicators that are commonly used in the hospitality industry:

- occupancy;

- average daily rate, or ADR; and
- revenue per available room, or RevPAR (which is the product of ADR and average daily occupancy).

Substantially all of the Group's revenue is derived from the operation of its hotels. Specifically, the Group's revenue consists of:

- *Hotel operations.* Hotel operations comprise room revenue, food and beverage revenue and other revenues generated from conferences and banqueting. The major drivers of room revenue are occupancy and ADR. Food and beverage revenue is an important part of the Group's hotel operations (accounting for approximately 30% of revenues during 2006). Food and beverage revenue correlates, in part to occupancy and room rates, but is also driven by the amount of conference trade and banqueting.
- *Other revenue.* Other revenue consists primarily of ancillary revenue such as hotel rental, laundry, telephone, internet, parking, entertainment and other guest services all of which, are principally driven by hotel occupancy.
- *Management fees.* The Group derives revenues from management contracts primarily from base fees determined as a percentage of total hotel revenue, incentive management fees determined as a percentage of the gross operating profit of the hotel operations (for further details please see the section headed "Types of hotel operations—Management contracts" in this Part VIII).
- *Franchising fees.* The Group derives revenue under franchising agreements from a brand royalty or licensing fee which, under most of the Group's franchise agreements is determined as a percentage of total hotel revenues, and a one-off fee on a per room basis (for further details please see the section headed "Types of hotel operations—Franchise arrangements" in this Part VIII).

Costs of revenue

- *Salaries and related expense.* The largest component of the Group's cost of revenues tends to be salaries and related expenses. These mainly relate to the employees working in the Group's owned, co-owned or operated hotels but also include the costs of the Group's management.
- *Department expenses.* Department expenses cover all the operating expenses of the hotels other than salaries and related expenses or food and beverage expenses and include items such as room expenses and marketing expenses.
- *Food and beverage expenses.* As with to food and beverage revenue, the major drivers of food and beverage expenses are occupancy and the amount of conference and banqueting trade.

Other operating expenses

Other operating expenses of the Group include rent, provisions for impairment loss, insurance, administrative expenses, building taxes, external consultancies, bad debt provision and pre-opening expenses.

Other items

- *Depreciation and amortisation expense.* Hotel properties are depreciated using the straight-line method over estimated useful lives of 50 to 95 years for buildings and 2 to 15 years for furniture, fixtures and equipment.
- *Financial expenses, net.* Financial expenses, net includes interest on bank overdrafts and loans, interest on loans to related parties (if any) refinancing costs and net exchange rate differences.
- *Income taxes, net.* Income taxes, net represents the sum of the tax currently payable and deferred tax. The tax payable is based on the taxable profit for the year.

Results of operations

The following information should be read in conjunction with the consolidated financial statements of PPHE Holdings and the combined financial information of Euro Sea and related notes included in Part IX of this document. PPHE Holdings is the current holding company of the entities which own the hotel management and operating business which will form part of the Group's business following the Reorganisation. Euro Sea is the current holding company of the entities which own certain hotel real estate interests which will also form part of

the Group's business following the Reorganisation. For further details of the Reorganisation please see section 12.1 of Part XI of this document headed "Related-party transactions—Reorganisation Umbrella Agreement". Potential investors should be aware however, that while the businesses of PPHE Holdings and Euro Sea are substantially comprised within the businesses which will, following the Reorganisation, comprise the Group, the business of the Group will differ materially from the aggregation of the businesses of PPHE Holdings and Euro Sea. Accordingly, the financial information contained in Parts VI and IX of this document does not accurately reflect the past performance of the businesses which, following the Reorganisation, will form part of the Group and should not be relied on by potential investors when assessing the Group's past or future performance. In particular:

- neither PPHE Holdings nor Euro Sea own the entities which own and operate the Park Plaza Vondel hotel (which will following the Reorganisation form part of the Group) and therefore the financial information contained in Parts VI and IX of this document and described below does not include any financial information relating to the performance of this hotel;*
- the financial information for Euro Sea includes information relating to its ownership of the Park Plaza Nottingham and Park Plaza Leeds hotels; the Group will not own these hotels following the Reorganization and will only have management contracts in relation to them;*
- neither PPHE Holdings nor Euro Sea own the entities which hold the PPHE Group's minority interests in the Park Plaza Victoria, Park Plaza Riverbank and Park Plaza Sherlock Holmes hotels in London (5%, 10% and 10% respectively) which will following the Reorganisation also form part of the Group and therefore the financial information contained in Parts VI, and IX of this document and described below does not include any financial information relating to these interests;*
- the financial information for PPHE Holdings and Euro Sea reflects certain loans from other entities in the current groups of these companies and third parties which will, as part of the Reorganisation, be repaid or eliminated on preparation of the Group's consolidated accounts;*
- the financial information for Euro Sea comprises information relating to certain construction and other businesses which will not form part of the Group following the Reorganisation; and*
- the financial information for Euro Sea for the years ended 31 December 2004 and 2005 reflects the sales of interests in certain hotels previously owned by Euro Sea.*

Comparison of financial information for PPHE Holdings for the financial years ended 31 December 2004, 2005 and 2006

Revenues. For the financial years ended 31 December 2004, 2005 and 2006 PPHE Holdings' revenue was €28.3 million, €29.8 million and €37.8 million respectively representing a year-on-year increase of 5.3% from 2004 to 2005 and an increase of 26.8% from 2005 to 2006. The 5.3% increase from 2004 to 2005 was primarily due to a 13% increase in management fees from €4.5 million to €5.1 million and a 29% increase in franchise fees from €1.9 million to €2.5 million whilst hotel operations revenues only increased 1.5% from €21.9 million to €22.3 million. The increase in management and franchise fees was primarily due to an increase in the revenues generated by the existing hotels managed or franchised by PPHE Holdings and also the opening during 2005 of the Park Plaza Riverbank. Revenues generated by hotel operations were largely flat reflecting a very small growth in the revenues of the German hotels operated by PPHE Holdings under operating leases. The 26.8% increase from 2005 to 2006 was attributable to a 21% increase in hotel operations revenues from €22.3 million to €27.0 million, a 43% increase in management fees from €5.1 million to €7.3 million and a 40% increase from €2.5 million to €3.5 million in franchise fees. The increase in hotel operations revenues was primarily due to improved performance of the German hotels operated by PPHE Holdings as a result of the World Cup in Germany and the opening of the Park Plaza Berlin Wallstreet. The increase in management and franchise fees reflected an increase in the revenue generated by the existing hotels managed or franchised by PPHE Holdings and the first full year of operations of the Park Plaza Riverbank and the acquisition of Park Plaza Vondel early in 2006.

Cost of revenues. For the financial years ended 31 December 2004, 2005 and 2006, PPHE Holdings' cost of revenue was €15.2 million, €17.2 million and €24.9 million respectively representing a year-on-year increase of 13.7% from 2004 to 2005 and an increase of 44.2% from 2005 to 2006. Salaries and related expenses, hotel rental, franchise fees, food and beverage, laundry and dry cleaning and other expenses were broadly flat or decreased however there was a reduction in adjustment of accruals from (€4.9 million) in 2004 to (€2.7 million) in 2005 relating to discontinued operations in previous years. The 44.2% increase from 2005 to 2006 was attributable to an overall 30% increase in salaries and related expenses, hotel rental,

franchise fees, food and beverage, laundry and dry cleaning and other expenses resulting from the opening of Park Plaza Berlin Wallstreet and an increase in cost of revenues from PPHE Holding's existing German hotels in line with the increase in revenues at those hotels, as well as a reduction in adjustment of accruals from (€2.7 million) in 2005 to (€1.3 million) in 2006 relating to discontinued operations in previous years.

Gross profit. For the financial years ended 31 December 2004, 2005 and 2006, PPHE Holdings' gross profit was €13.1 million, €12.6 million and €12.9 million respectively representing a year-on-year decrease of 4.5% from 2004 to 2005 and an increase of 2.9% from 2005 to 2006, reflecting the changes in revenues and cost of revenues described above. Excluding the adjustments of accruals relating to discontinued operation in previous years, from 2004 to 2005 there was an increase of 19.4% in gross profit from €8.3 million to €9.9 million and from 2005 to 2006 there was an increase of 19.2% in gross profit from €9.9 million to €11.7 million.

Other operating expenses. For the financial years ended 31 December 2004, 2005 and 2006, PPHE Holdings' other operating expenses were €4.7 million, €5.2 million and €5.9 million respectively representing a year-on-year increase of 10.6% from 2004 to 2005 and an increase of 13.5% from 2005 to 2006, these were primarily due to increases in management services, travel agent commissions and professional fees.

Finance expenses, net. For the financial years ended 31 December 2004, 2005 and 2006, PPHE Holdings' net financial expenses were €11.3 million, €11.7 million and €13.4 million, respectively. These expenses related to a loan from Golden Wall to PPHE Holdings. Following the Reorganisation, Golden Wall will be a wholly-owned subsidiary of the Group and therefore these amounts will be eliminated in the Company's consolidated statement of operations.

Net loss for the year. For the financial years ended 31 December 2004, 2005 and 2006 PPHE Holdings' net loss for the year was €3.5 million, €4.9 million and €6.2 million respectively. This was primarily due to the net financial expenses described above.

Comparison of financial information for Euro Sea Group for the financial years ended 31 December 2004, 2005 and 2006

Revenues. For the financial years ended 31 December 2004, 2005 and 2006 Euro Sea's revenues were €42.9 million, €51.2 million and €65.6 million respectively representing a year-on-year increase of 19.3% from 2004 to 2005 and an increase of 28.1% from 2005 to 2006. The 19.3% increase from 2004 to 2005 was primarily due to a 30% increase in hotel operations revenue in the UK from €25.0 million to €32.3 million resulting from an increase in revenues generated by the Group's existing hotels and the opening during 2005 of the Park Plaza Riverbank. The 28.1% increase from 2005 to 2006 was primarily attributable to a 35.0% increase in hotel operations revenue in the UK from €32.3 million to €43.6 million resulting from increased revenues in existing hotels and the first full year of operations of the Park Plaza Riverbank and a tenfold increase in construction and consulting services from €0.5 million to €5.0 million. Euro Sea's construction consulting business will not form part of the Group following the Reorganisation.

Cost of revenues. For the financial years ended 31 December 2004, 2005 and 2006 Euro Sea's cost of revenues was €23.6 million, €30.7 million and €39.1 million respectively representing a year-on-year increase of 30.2% from 2004 to 2005 and an increase of 27.1% from 2005 to 2006. This increase was primarily due to an increase in salaries and related expenses and department expenses arising from the opening of the Park Plaza Riverbank, which during its pre-opening and soft opening periods, incurred full employment and other expenses associated with operating the hotel. The 27.1% increase from 2005 to 2006 reflected the 28.1% increase in revenues and the fact that the Park Plaza Riverbank was open and occupancy rates for that hotel were beginning to stabilise.

Gross profit. For the financial years ended 31 December 2004, 2005 and 2006 Euro Sea's gross profit was €19.3 million, €20.5 million and €26.5 million respectively representing a year-on-year increase of 6.0% from 2004 to 2005 and an increase of 29.5% from 2005 to 2006, reflecting the changes in revenues and cost of revenues described above.

Other operating expenses. For the financial years ended 31 December 2004, 2005 and 2006 Euro Sea's other operating expenses were €7.4 million, €11.0 million and €13.1 million respectively representing a year-on-year increase of 48.6% from 2004 to 2005 and an increase of 19% from 2005 to 2006, these were primarily due to increases in management fees, rent and provisions for impairment loss. These include a

one-off €1.8 million operating expense in 2006 which the Directors believe will not be incurred by the Group going forward.

Finance expenses, net. For the financial years ended 31 December 2004, 2005 and 2006 Euro Sea's net financial expenses were €12.6 million, €13.8 million and €17.4 million respectively. These relate to bank loans and also include a one-off €3.9 million refinancing charge in 2006 which the Directors believe will not recur.

Profit (loss) for the year. For the financial years ended 31 December 2004 and 2005 Euro Sea's profit (loss) for the year was €1.2 million and €0.8 million respectively and for the financial year ended 31 December 2006 Euro Sea's loss for the year was €12.3 million. This was primarily due to the net financial expenses described above.

Review of selected *pro forma* and illustrative financial information

The following section discusses unaudited pro forma revenues and EBITDA for the Group prepared by the management for the year ended 31 December 2006 and unaudited illustrative revenues and EBITDA for the Group prepared by the management for the years ended 31 December 2004 and 2005. The Directors believe that the unaudited pro forma income statement data for the year ended 31 December 2006 has been properly compiled on the basis stated and such basis is consistent with the IFRS accounting policies of the Group going forward. The adjustments applied in compiling the 2004 and 2005 illustrative revenues and EBITDA are consistent with those applied in compiling revenues and EBITDA in the 2006 unaudited pro forma. The unaudited pro forma revenues and EBITDA of the Group set out below for the year ended 31 December 2006 have been extracted without material adjustment from the unaudited pro forma financial information of the Group included in Part VII of this document. The unaudited illustrative revenues and EBITDA for the Group for the years ended 31 December 2004 and 2005 and the unaudited pro forma revenues and EBITDA for the Group for the year ended 31 December 2006 have been prepared as if the merger of the Euro Sea Group and the acquisition of the Park Place Group had occurred on the last day of the previous financial year in each case.

The adjustments to the unaudited pro forma and illustrative revenues and EBITDA (which are described below) are based on currently available information and assumptions that the Directors believe are reasonable. The selected financial information is presented for illustrative purposes only and does not purport to represent what the Group's actual consolidated operating results would have been had the merger of the Euro Sea Group and the acquisition of the Park Plaza Group occurred on the last day of each relevant previous financial period, nor does it purport to project the Group's results of operations or financial position for any future period or date.

The unaudited pro forma and illustrative revenues and EBITDA reflects adjustments made to the Group's financial information as at and for the three years ended 31 December 2006 to reflect the following:

- *the acquisition of the Euro Sea Group by the Company, which for accounting purposes is treated as a merger. The consideration for this acquisition will take the form of the issuance of Shares and will be recorded at the book value of the net assets acquired. The consolidated assets and liabilities of Euro Sea have been extracted without material adjustment from the combined financial statements of that company included in Part IX of this document;*
- *the acquisition of the Park Plaza Group, being PPHE Holdings, PHH (the holding company of the entities which own and operate the Park Plaza Vondel), Golden Wall (the entity which has entered into the Territorial Licence Agreement) and the minority shareholdings in Riverbank (10%; being the holding company of the entities which own and operate the Park Plaza Riverbank), Grandis (10%; being the holding company of the entities which own and operate the Park Plaza Sherlock Holmes) and Victoria (5%; being the holding company of the entities which own and operate the Park Plaza Victoria, London);*
- *the elimination of all inter-company transactions and balances;*
- *the disposal at their carrying values of the assets and liabilities of certain companies at their carrying value; and*
- *the disposal at a gain of approximately €9.3 million of one of the companies that owns a hotel in Hungary.*

The selected financial information has been included in this document for illustrative purposes only. By its nature it addresses a hypothetical situation and therefore does not represent the actual financial position of the Group during the periods discussed.

Combined *pro forma* and illustrative financial information for the Group

	Year ended 31 December		
	2006	2005	2004
		(unaudited)	
		(€'000)	
Revenues	88,213	65,997	56,209
EBITDA	22,807	15,972	19,606

Comparison of unaudited *pro forma* and illustrative financial information for the Group for the financial years ended 31 December 2004, 2005 and 2006

Revenues. For the financial years ended 31 December 2004, 2005 and 2006 the Group's unaudited illustrative/*pro forma* revenues were €56.2 million, €66.0 million and €88.2 million respectively representing a year-on-year increase of 17.4% from 2004 to 2005 and an increase of 33.7% from 2005 to 2006. The 17.4% increase from 2004 to 2005 was primarily due to increased revenue from the Group's existing hotels and also the opening during 2005 of the Park Plaza Riverbank. The 33.7% increase from 2005 to 2006 was attributable to increased revenue from the Group's existing hotels and in particular improved performance of the Group's German hotels as a result of the World Cup in Germany, the opening of the Park Plaza Berlin Wallstreet, the first full year of operations of the Park Plaza Riverbank and the acquisition of Park Plaza Vondel early in 2006.

EBITDA. For the financial years ended 31 December 2004, 2005 and 2006 the Group's unaudited illustrative/*pro forma* EBITDA was approximately €19.6 million, €16.0 million and €22.8 million respectively representing a year-on-year decrease of 18.5% from 2004 to 2005 and an increase of 42.8% from 2005 to 2006. The 18.5% decrease from 2004 to 2005 was primarily due to an increase in cost of revenues arising from the opening of Park Plaza Riverbank which were proportionately greater than the increase in revenues arising as a result of this hotel opening. This was because the Group was required to incur expenses such as salaries and other operating expenses during the pre-opening period of this hotel and the initial period following opening of this hotel during which not all of the hotel's rooms were available. In addition, EBITDA was adversely affected by the reduction in adjustment of accruals from 2004 to 2005 relating to discontinued operations in previous years and an increase in UK business rates relating to the period 2003 to 2005 which were only recognised in the accounts during the financial year ended 31 December 2006. The 42.8% increase from 2005 to 2006 was attributable to the increase in revenues for the reasons mentioned in the section headed "Comparison of unaudited *pro forma* and illustrative financial information for the Group for the financial years ended 31 December 2004, 2005 and 2006—Revenues" in this Part VIII which was proportionately higher than the corresponding increase in cost of revenues. In addition to this, there was a year on year increase in other operating expenses of the Group and decrease in the revenue from the operations of the Park Plaza Nottingham and the Park Plaza Leeds.

Current trading and prospects

During the five months to 31 May 2007, the performance of the Group's hotels in terms of EBITDA has been broadly in line with the Directors' expectations and significantly ahead of performance over the same period in 2006. The Group's hotels in London and The Netherlands have performed above budgeted figures for EBITDA, reflecting favourable conditions in these markets in terms of occupancy rates and room rates, as well as increases in market share achieved by the Group's hotels in these markets.

The strong performance by the Group's hotels in London and The Netherlands over the period was partially offset by the performance by the Group's hotels in Germany and Hungary, which was below budget in terms of EBITDA. This was caused in part by an increased level of competition in the four-star segment in these markets which has created downward pressure on room rates and occupancy rates, resulting in reduced margins. In addition, the World Cup in Germany in 2006 had a positive impact on demand and room rates in the German market, which has not been sustained into 2007.

As discussed in the section of this Part VIII headed "Types of hotel operations", all of the hotels in London and The Netherlands in the Group's portfolio are owned or co-owned by the Group, whereas the hotels in

Germany and Hungary are held under operating leases. As a result, the performance of the London and Netherlands hotels has a greater relative impact on the Group's financial results than the performance of the hotels in Germany and Hungary. The underperformance of the hotels in Germany and Hungary during the first five months of 2007 has therefore had only a limited impact on the overall performance of the hotels in the Group's portfolio during the period.

The Directors are confident that the business as a whole will continue to develop in line with expectations for 2007.

Liquidity and capital resources

Liquidity and cash

Historically, the Group's liquidity requirements have arisen from the following:

- operating expenses for the Group's hotels;
- investments relating to acquisitions and new developments;
- interest expense and scheduled principal payments on outstanding indebtedness; and
- capital expenditures incurred to maintain and improve the Group's hotels.

The Group has in the past derived, and the Directors expect that the Group will continue to derive, substantially all of its revenues from funds generated by the Company's operating subsidiaries. The Group budgets for its capital resources on an annual basis.

The Group's principal sources of liquidity are cash on hand, operating cash flows, cash from existing borrowing facilities and capital contributions by the Shareholders.

As at 31 December 2006, the Group's *pro forma* cash and cash equivalents and short-term deposits were €15.5 million (not accounting for net Placing proceeds). The Group's cash is held in demand and short-term bank deposits.

Working capital

The Directors are of the opinion that, having made due and careful enquiry, taking into account the net proceeds of the Placing receivable by the Company, the working capital available to the Group is sufficient for its present requirements that is for at least the 12 months from the date of Admission.

Capital resources

As at 31 December 2006, the Group's *pro forma* bank borrowings were €223 million, based on the Group's pro rata share of the following facilities: a £195 million facility with GSI secured on the Park Plaza Victoria, the Park Plaza Riverbank and the Park Plaza Sherlock Holmes hotels; a €80 million facility with Merrill Lynch secured on the Group's hotels in The Netherlands a €18.5 million facility with NIBC Bank N.V. secured on the Park Plaza Vondel; and a €14 million facility with Bank Hapoalim. For further details see section 11 of Part XI of this document headed "Financing facilities".

€9.7 million of these bank borrowings were repayable within 12 months of 31 December 2006 and the remainder thereafter. During the financial years ended 31 December 2008, 2009 and 2010 €3.7 million, €44.8 million and €2.9 million of these bank borrowings are repayable respectively. The remainder is payable after 31 December 2010.

Contractual obligations and commitments

The Group's contractual obligations and commitments consist primarily of bank borrowings, as described above, as well as the Group's obligations under its operating and long term leases details of which are set out below:

	<u>Within one year</u>	<u>One to five years</u>	<u>Over five years</u>	<u>Total</u>
			(€'000)	
Contractual obligations:				
Operating leases ⁽¹⁾	8,783	37,392	96,987	143,162
Long-term leases ⁽²⁾	1,201	4,803	114,926	120,930
Total contractual cash obligations	<u>9,984</u>	<u>42,195</u>	<u>211,913</u>	<u>264,092</u>

Notes:

(1) Assuming the minimum amount payable under the operating leases.

(2) These relate to the lease agreements for the Riverbank Park Plaza and the Park Plaza Sherlock Holmes. The figures are given assuming no increase or decrease as a result of rent reviews.

Capital expenditures

The Group anticipates capital expenditures of €2.5 million by the end of 2007 in respect of renovations to the Park Plaza Vondel and €4.5 million by the end of 2008 in respect of the renovation of the proposed extension to the Park Plaza Victoria Amsterdam (being the Group's contribution to this project). The Group is also planning to incur capital expenditure of €12 million in respect of the refurbishment of the Park Plaza Nuremberg by the end of 2008. €2.5 million of the capital expenditures for 2007 relating to Park Plaza Vondel have already been funded. Apart from this, most of the major hotels in the Group's portfolio have been recently developed or refurbished and therefore are not expected to require any significant capital expenditure in the short term. Currently, the amount payable in to the capital expenditure reserve under the budget for each of the hotels is 3% of total revenue. The reserve covers most of the capital expenditure and maintenance costs for each hotel.

Critical accounting policies

The discussion and analysis of the Group's financial condition and results of operations is based upon the Group's financial information, which has been prepared in accordance with IFRS (except for certain departures from IFRS (primarily IAS 27) as described further in Note 2 of the combined financial information of Euro Sea included in Part IX of this document). The preparation of this financial information, in conformity with IFRS, required the use of certain critical accounting estimates. Moreover, Management was required to exercise its judgment in the process of applying the Group's accounting policies. The Group will similarly be required to make these estimates and judgments in the future.

The Group evaluates its estimates on an ongoing basis and bases its estimates on historical experience, information currently available to the Group and various other assumptions that Management believes is reasonable in the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The Group believes the critical accounting policies described below involve a significant degree of judgment or complexity or are areas where assumptions and estimates are significant to the preparation of the Group's financial information. Set forth below are the critical accounting policies of the Group. For a further discussion of these and the other accounting policies applied by the Group, see "Note 2—Summary of significant accounting policies" in the notes to the consolidated and combined financial information of PPHE Holdings and Euro Sea, respectively, included in Part IX of this document.

Investment in associates and jointly controlled entities

An associate is an entity over which the Group 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 shares 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 associate.

The Group reports its interest in jointly controlled entities using proportionate consolidation. The Group's share of 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 the Group's interest in the joint venture, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

Foreign currency translation

The Group's financial information is presented in Euro which is the Group's functional and presentation currency. 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 currencies other than Euro are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date. Profits and losses arising from exchange differences are included in the statement of operations.

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 (foreign 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 entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment, are stated on the balance sheet at cost, less accumulated depreciation and impairments in value. Depreciation is calculated using the straight-line method, over the estimated useful life of the assets as follows:

	<u>Years</u>
Hotel buildings	50–95
Furniture and equipment	2–15

The costs of maintaining property, plant and equipment are recognised in the statement of operations 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.

Intangible assets

Intangible assets acquired from companies under common control are presented at their carrying amounts in the accounts of the selling entity, less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the estimated useful life of the asset (20 years).

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and impairments in value.

Depreciation is calculated using the straight-line method over the estimated useful life of the property.

Impairment testing of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. 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 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 carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Revenue recognition

Revenues from hotel operations and from management and franchise fees are recognised as services are rendered. Rental revenue is recognised over the lease term on a straight-line basis. Other revenue, from construction consulting services is recognised as the services are provided.

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. Where the Group is the lessor, rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Where the Group is the lessee, the operating lease payments are recognised as an expense in the statements of operations on a straight-line basis over the lease term. Prepaid leasehold payments are up-front payments to acquire a long-term leasehold interest in land and building. These payments are stated at cost and are amortized on a straight-line basis over the respective period of the leases.

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.

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 amounts are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax assets

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 tax assets and deferred tax liabilities measured at the tax rate that is 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.

Transactions with the parent company and companies under common control

The sale of investments in subsidiaries and jointly controlled entities to the parent company or to companies under common control is accounted for at the carrying values of the investments in these companies at the date of sale. Any difference between the consideration received and the carrying value is recorded in equity (capital reserves).

PART IX
FINANCIAL INFORMATION

The financial information in this Part IX is in three parts:

- Part A: Consolidated financial information on PPHE Holdings;
- Part B: Combined financial information on Euro Sea; and
- Part C: Consolidated financial information on the Company.

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PART A
PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
CONSOLIDATED FINANCIAL INFORMATION
AS OF 31 DECEMBER 2006
EURO IN THOUSANDS

INDEX

	<u>Page</u>
Consolidated Balance Sheets	109
Consolidated Statements of Operations	110
Consolidated Statements of Changes in Deficiency	111
Consolidated Statements of Cash Flows	112
Notes to Consolidated Financial Information	113-129

The Directors
Park Plaza Hotels Europe Holdings B.V.
The Netherlands

12 July 2007

Dear Sirs,

We report on the financial information of Park Plaza Hotels Europe Holdings B.V. ("the Company") (together with its subsidiaries "the Group") for the years ended 31 December 2006, 2005 and 2004 ("the Financial Information") set out in Part IX of the AIM Admission Document dated 12 July 2007 ("the Admission Document"). The Financial Information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in Note 2. This report is required by paragraph (a) of Schedule Two to the AIM Rules as if Annex I item 20.1 of the Prospectus Rules applied and is given for the purpose of complying with that requirement and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

The Directors of the Company are responsible for preparing the Financial Information on the basis of preparation set out in Note 2 to the Financial Information. It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 Information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information for the years ended 31 December 2006, 2005 and 2004 gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and changes in equity for the years then ended in accordance with the basis of preparation set out in Note 2 to the Financial Information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully,

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
CONSOLIDATED BALANCE SHEETS

	Note	31 December		
		2006	2005	2004
			€'000	
ASSETS				
NON-CURRENT ASSETS:				
Intangible assets	3	6,612	7,091	7,569
Furniture, fixtures and equipment	4	364	153	139
Deferred tax		665	—	—
		<u>7,641</u>	<u>7,244</u>	<u>7,708</u>
CURRENT ASSETS:				
Inventories		209	163	148
Other current assets	5	1,323	1,594	1,865
Trade receivables	6	5,951	5,451	4,700
Cash and cash equivalents	7, 11a	5,767	4,307	1,859
		<u>13,250</u>	<u>11,515</u>	<u>8,572</u>
Total assets		<u>20,891</u>	<u>18,759</u>	<u>16,280</u>
DEFICIENCY AND LIABILITIES				
DEFICIENCY:				
Issued capital	8	18	18	18
Share premium		5,079	5,079	5,079
Capital reserve	1c	(191,821)	(191,821)	(191,821)
Currency translation reserve		(13)	(11)	(25)
Accumulated deficit		(37,399)	(31,160)	(26,258)
Total deficiency		<u>(224,136)</u>	<u>(217,895)</u>	<u>(213,007)</u>
NON-CURRENT LIABILITIES:				
Loans from related parties	9	237,989	230,314	221,388
Loans from others		60	—	—
Deferred tax	16	162	162	162
		<u>238,211</u>	<u>230,476</u>	<u>221,550</u>
CURRENT LIABILITIES:				
Related parties	17	159	1,017	1,377
Other current liabilities	10	4,869	3,131	5,053
Trade payables		1,788	2,030	1,307
		<u>6,816</u>	<u>6,178</u>	<u>7,737</u>
Total liabilities		<u>245,027</u>	<u>236,654</u>	<u>229,287</u>
Total deficiency and liabilities		<u>20,891</u>	<u>18,759</u>	<u>16,280</u>

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

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	Year ended 31 December		
		2006	2005	2004
			€'000 ^(*)	
Revenues	12	37,813	29,821	28,309
Cost of revenues	13	(24,867)	(17,239)	(15,164)
Gross profit		12,946	12,582	13,145
Depreciation and amortisation		(592)	(512)	(579)
Other operating expenses	14	(5,884)	(5,236)	(4,651)
Profit from operations		6,470	6,834	7,915
Financial expenses, net	15	(13,368)	(11,713)	(11,265)
Loss before income taxes		(6,898)	(4,879)	(3,350)
Income taxes	16	659	(23)	(192)
Net loss for the year		(6,239)	(4,902)	(3,542)
Net loss per share:				
Basic and diluted loss per share		(0.35)	(0.27)	(0.20)
Weighted number of shares outstanding during the year		18,002	18,002	18,002

(*) Except share and per share data, which are in Euro.

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

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY

	<u>Issued capital</u>	<u>Share premium</u>	<u>Capital reserve^(*)</u>	<u>Currency translation reserve</u>	<u>Accumulated deficit</u>	<u>Total</u>	<u>Total recognised expenses</u>
				€'000			
Balance as at 1 January 2004	18	5,079	(191,821)	—	(22,716)	(209,440)	—
Foreign currency translation	—	—	—	(25)	—	(25)	(25)
Net loss for the year	—	—	—	—	(3,542)	(3,542)	(3,542)
							<u>(3,567)</u>
Balance as at 31 December 2004	18	5,079	(191,821)	(25)	(26,258)	(213,007)	
Foreign currency translation	—	—	—	14	—	14	14
Net loss for the year	—	—	—	—	(4,902)	(4,902)	(4,902)
							<u>(4,888)</u>
Balance as at 31 December 2005	18	5,079	(191,821)	(11)	(31,160)	(217,895)	
Foreign currency translation	—	—	—	(2)	—	(2)	(2)
Net loss for the year	—	—	—	—	(6,239)	(6,239)	(6,239)
							<u>(6,241)</u>
Balance as at 31 December 2006	<u>18</u>	<u>5,079</u>	<u>(191,821)</u>	<u>(13)</u>	<u>(37,399)</u>	<u>(224,136)</u>	

(*) See Note 1c.

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

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2006	2005	2004
	€'000		
Cash flows from operating activities:			
Net loss	(6,239)	(4,902)	(3,542)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Interest expense	13,368	11,713	11,265
Interest paid	(5,693)	(2,787)	(2,695)
Depreciation and amortisation	592	512	579
Increase in trade receivables	(500)	(751)	(718)
Decrease in other current assets	271	271	99
Increase in inventories	(46)	(15)	(28)
Decrease in related parties	(858)	(360)	(3,597)
Increase (decrease) in trade payables	(242)	723	(427)
Deferred tax	(665)	—	162
Increase (decrease) in other current liabilities	1,738	(1,922)	(235)
Net cash provided by operating activities	<u>1,726</u>	<u>2,482</u>	<u>863</u>
Cash flows from investing activities:			
Purchase of furniture, fixtures and equipment	(324)	(48)	(78)
Net cash used in investing activities	<u>(324)</u>	<u>(48)</u>	<u>(78)</u>
Cash flows from financing activities:			
Proceeds from other long-term loans	60	—	—
Net cash provided by financing activities	<u>60</u>	<u>—</u>	<u>—</u>
Net foreign exchange differences	(2)	14	(25)
Increase in cash and cash equivalents	1,460	2,448	760
Cash and cash equivalents at the beginning of the year	<u>4,307</u>	<u>1,859</u>	<u>1,099</u>
Cash and cash equivalents at the end of the year	<u><u>5,767</u></u>	<u><u>4,307</u></u>	<u><u>1,859</u></u>
Supplemental disclosure of cash flows information:			
Cash paid during the year for:			
Taxes	<u>6</u>	<u>23</u>	<u>25</u>

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

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION

NOTE 1:—GENERAL

- a. The consolidated financial statements of Park Plaza Hotels Europe Holdings B.V. (“the Company”) for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the directors on 20 June 2007.

- b. Description of business and formation of the Company:

Park Plaza Hotels Europe Holdings B.V. (“the Company”) was incorporated on August 21, 2002 and is registered in Amsterdam. The Company and its subsidiaries (“the Group”) are principally engaged in the leasing, operating, management, administration and servicing of hotels, principally in Europe. See Note 18 for geographical information relating to the Company’s activities.

The Company is a wholly-owned subsidiary of Compass Investments Ltd. (“the parent company”).

- c. Acquisition of businesses from company under common control:

In March 2003, the Company acquired from the parent company and Golden Wall Investment Ltd. (a company under common control) all of their business activities and rights relating to the management of Park Plaza Hotels in Europe, Africa and the Middle East and franchise rights relating to “Park Plaza”. In consideration of the acquisition, the Company agreed to pay a total of €201,555 thousand (see Note 9).

In July 2004, a subsidiary of the Company acquired from the parent company all of the outstanding share capital of Park Plaza Germany Holdings GmbH, a company that is engaged in the leasing and operation of certain hotels in Germany and Hungary. In consideration of the acquisition, the Company paid a nominal amount of €1.

Since the Company acquired these companies and businesses from the parent company and a company under common control, the acquisitions are not business combinations within the scope of International Financial Reporting Standard 3. The Company is accounting for the acquisitions in a manner similar to a pooling of interests. Accordingly, the financial statements reflect the acquisitions as if they had occurred at the beginning of the earliest period presented (1 January 2004). Thus, the consolidated financial statements comprise the consolidated financial position, results of operation and cash flows of the Company and of the companies and businesses acquired for all periods presented.

The net assets acquired have been recorded at their carrying amounts in the accounts of the selling entity at the date of acquisition. The difference between the consideration for the net assets acquired and their carrying amount was charged to equity (“capital reserves”).

- d. As of 31 December 2006 and for the year then ended, the Company has a deficiency of €224,136 thousand and a loss of €6,239 thousand. The deficit and loss are principally due to the loans from related parties and the resulting interest thereon. Management of the Company believes that since these loans are not due in the foreseeable future (not before 2010), the Company will be able to fulfill its obligations as they become due.

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These consolidated financial statements are the Group’s first IFRS Financial Statements. The Group first adopted IFRS in 2005 with a date of transition to IFRS as of 1 January 2004. Prior to adoption of IFRS, the Group’s consolidated financial statements were prepared in accordance with accounting principles generally accepted in the Netherlands (“Dutch GAAP”). The Group’s last financial statements in Dutch GAAP were for the year ended 31 December 2005.

See Note 20 for reconciliations of profit or loss and equity reported under Dutch GAAP to the profit and loss and equity reported under IFRS.

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Basis of preparation:

The consolidated financial information has been prepared on a historical cost basis.

The consolidated financial information is presented in Euro and all amounts are rounded to the nearest thousand (€'000) except when otherwise indicated.

b. Statement of compliance:

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS).

c. Basis of consolidation:

The consolidated financial information comprises the financial statements of the Company and its subsidiaries.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising therefrom, are eliminated.

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

Details of the Company's wholly-owned subsidiaries as of 31 December 2006 are as follows:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Principal activity</u>
Park Plaza Hotels Europe B.V.	The Netherlands	Management
Park Plaza Hotels (Germany) Services GmbH	Germany	Management
Park Plaza Hotels Europe (Germany) B.V.	The Netherlands	Management
Sugarhill Investments B.V.	The Netherlands	Holding company
Park Plaza Germany Holdings GmbH	Germany	Holding company
Park Plaza Berlin Hotelbetriebsgesellschaft GmbH	Germany	Hotel operation
Park Plaza Dresden Hotelbetriebsgesellschaft GmbH	Germany	Hotel operation
Park Plaza Wallstrasse Hotelbetriebsgesellschaft GmbH	Germany	Hotel operation
Art'otel Berlin Mitte/Park Plaza Betriebsgesellschaft GmbH	Germany	Hotel operation
Art'otel Berlin City Center West GmbH	Germany	Hotel operation
Art'otel Dresden/Park Plaza Betriebsgesellschaft GmbH	Germany	Hotel operation
Art'otel Budapest Szállodaüzemeltető Kft	Hungary	Hotel operation

d. 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. The major estimations in the accounts are concerning the intangible assets and its amortisation (see Note 3).

e. Foreign currency translation:

The consolidated financial statements are presented in Euro which is the Company's functional and presentation currency. 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 currencies other than Euro are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

translated at the rates prevailing on the balance sheet date. Profits and losses arising from exchange differences are included in the statement of operations.

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 transaction of the investment in subsidiaries are classified as a separate component of equity (foreign currency translation reserve). Such translation differences are recognised as income or as expenses in the period in which the entity is disposed of.

f. Intangible assets:

Intangible assets acquired from companies under common control are presented at their carrying amounts in the accounts of the selling entity, less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the estimated useful life of the asset (20 years).

g. Furniture, fixtures and equipment:

Furniture, fixtures 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 (3-5 years).

h. Impairment:

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. 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 greater of net selling price and 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 carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

i. Inventories:

Inventories of food and beverages are stated at the lower of cost and net realisable value. Cost is calculated using the first in—first out method.

j. Trade receivables:

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

k. 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.

l. Interest bearing loans and borrowings:

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Revenue recognition:

Revenues from hotel operations are recognised as services are rendered.

Revenues from management and franchise fees are recognised as services are rendered.

n. Leasing:

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

o. Employee benefits:

The Company has a defined pension contribution plan where the employer is liable only for its part of the contribution to the individuals pension plan.

p. Taxation:

Current tax

Current 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 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.

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 2:—SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax assets and deferred tax liabilities measured at the tax rate that is 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.

q. Earnings per share:

Basic and diluted earnings per share amounts are calculated by dividing net profit and loss for the period by the weighted average number of shares outstanding during the period.

r. Future changes in accounting policies:

The Group did not adopt early the following IFRS. Management expects that adoption of these pronouncements will not have a material impact on the financial position and results of operations of the Group.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment-Presentation of Financial Statements

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures

IFRS 7 requires disclosures that enable users to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

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.

NOTE 3:—INTANGIBLE ASSETS

Management and franchise rights acquired from companies under common control (see Note 1c).

	<u>2006</u>	<u>2005</u>	<u>2004</u>
		€'000	
Cost:			
Balance at 1 January	9,580	9,580	9,580
Additions during the year	<u>—</u>	<u>—</u>	<u>—</u>
Balance at 31 December	<u>9,580</u>	<u>9,580</u>	<u>9,580</u>
Accumulated amortisation:			
Balance at 1 January	2,489	2,011	1,532
Provision	<u>479</u>	<u>478</u>	<u>479</u>
Balance at 31 December	<u>2,968</u>	<u>2,489</u>	<u>2,011</u>
Amortised cost at 31 December	<u>6,612</u>	<u>7,091</u>	<u>7,569</u>

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 4:—FURNITURE, FIXTURES AND EQUIPMENT

	<u>2006</u>	<u>2005</u>	<u>2004</u>
		€'000	
Cost:			
Balance at 1 January	350	302	224
Additions during the year	<u>324</u>	<u>48</u>	<u>78</u>
Balance at 31 December	<u>674</u>	<u>350</u>	<u>302</u>
Accumulated depreciation:			
Balance at 1 January	197	163	63
Provision	<u>113</u>	<u>34</u>	<u>100</u>
Balance at 31 December	<u>310</u>	<u>197</u>	<u>163</u>
Depreciated cost at 31 December	<u><u>364</u></u>	<u><u>153</u></u>	<u><u>139</u></u>

NOTE 5:—OTHER CURRENT ASSETS

	<u>31 December</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
		€'000	
Related parties ⁽¹⁾	59	68	72
Prepaid expenses	89	103	140
VAT	21	221	159
Other	243	125	243
Deposits ⁽²⁾	<u>911</u>	<u>1,077</u>	<u>1,251</u>
	<u><u>1,323</u></u>	<u><u>1,594</u></u>	<u><u>1,865</u></u>

Notes:

(1) Amounts due from related parties are non-interest bearing.

(2) The deposits are held under the requirements of certain operating lease agreement.

NOTE 6:—TRADE RECEIVABLES

	<u>31 December</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
		€'000	
Trade receivables	6,449	5,929	5,152
Less—allowance for doubtful debts	<u>498</u>	<u>478</u>	<u>452</u>
	<u><u>5,951</u></u>	<u><u>5,451</u></u>	<u><u>4,700</u></u>

NOTE 7:—CASH AND CASH EQUIVALENTS

	<u>31 December</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
		€'000	
Cash at banks and in hand	5,509	4,053	1,608
Restricted cash	<u>258</u>	<u>254</u>	<u>251</u>
	<u><u>5,767</u></u>	<u><u>4,307</u></u>	<u><u>1,859</u></u>

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 8:—ISSUED CAPITAL

Share capital is comprised of Ordinary shares of €1 par value each:

	31 December		
	2006	2005	2004
	Number of shares		
Authorised	90,000	90,000	90,000
Issued and fully paid	18,002	18,002	18,002

NOTE 9:—LONG-TERM LOANS FROM RELATED PARTIES

	31 December		
	2006	2005	2004
	€'000		
Loan notes 1, 2 and 3 ⁽¹⁾	201,555	201,555	201,555
Loan note 4 ⁽²⁾	950	950	950
Accrue interest	35,484	27,809	18,883
	237,989	230,314	221,388

Notes:

- (1) Loan notes 1, 2 and 3 are repayable on 31 December 2010 or such earlier date as may be determined by the parties. The loans bear interest at an annual rate of Euro Libor + 3%.
- (2) Loan note 4 is payable no later than 31 December 2008. The loan bears annual interest of Euro Libor + 2.5%.

The fair value of these loans approximates their carrying values.

NOTE 10:—OTHER CURRENT LIABILITIES

	31 December		
	2006	2005	2004
	€'000		
Salaries and related expenses	764	744	705
Lease payables ⁽¹⁾	1,800	1,136	3,110
Other accrued liabilities	2,305	1,251	1,238
	4,869	3,131	5,053

Note:

- (1) During 2005, the Company reached an agreement with the landlord relating to the lease payable of Park Plaza Berlin GmbH. The landlord agreed to reduce the lease obligation by approximately €2 million on condition that the Company will pay the balance of the obligation and future annual lease payments according to agreed upon dates. In the event the Company does not comply with these conditions, the Company will be obligated to pay the €2 million. In 2005, the reduction of the obligation was recorded in cost of revenues. As of 31 December 2006, the Company is complying with the above-mentioned conditions.

NOTE 11:—COMMITMENTS AND CONTINGENT LIABILITIES

a. Contingent liabilities:

- On 3 March 2006, the Company entered into a facility agreement as co-borrower together with Riverbank Hotel Holding B.V., Victoria London Hotel Holding B.V. and Grandis Netherlands Holding B.V., (“the Borrowers”), and Goldman Sachs International Bank (“the Lender”), for the grant to the Borrowers of a non recourse refinancing loan in the amount of £195 million. The Company is guarantor of the loan. As part of the loan agreement, the following securities were provided:
 - Charge over the Borrowers’ tangible fixed assets and the revenues and profits derived from them.

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 11:—COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

- (b) First ranking share pledges over the entire issued and outstanding share capital of the Company and the Borrowers.
- (c) Account pledge from the Company and its subsidiaries.
- (d) A deed of subordination whereby all the loan notes and any rights of the Borrowers' shareholders are subordinated to the rights of the Lender.

The Company is fully indemnified by Bea Hotels N.V, Elscint Limited, Atlantic Pacific Enterprises B.V and Suf Holdings B.V for any amount to be paid by it according to the Company's guarantee.

b. Lease agreements:

The Company 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 an options rental. All leases require an annual payment based on a percentage of turnover with a minimum guarantee.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2006 are as follows:

Within one year	8,783
After one year but not more than five years	37,392
More than five years	96,987
	<u>143,162</u>

c. Commitments:

1. The Company manages hotels located in The Netherlands and England, which are held by Euro Sea Hotels N.V. ("the hotels") in consideration for an annual fee of 2% of the hotels' gross room revenues ("the Base fee") as well as 7% of the gross operating profit ("the Incentive fee") as defined in the management agreements. The Company is also partially reimbursed for certain portions of the expenses incurred, up to 3% of the gross operating profit. Upon termination of a management agreement, earlier than the date specified in the contract, the companies owning the respective hotel are obliged to pay to the Company an amount equal to the Base fee, the Incentive fee and the Franchise fee (see 2 below) paid to the Company in the 12 months period preceding the termination. In the event of a sale of the Victoria Hotel in Amsterdam, the Company shall also be entitled to receive 2.5% of any profit generated from such a sale.

The Company is vested with ownership rights at a rate of 5% or 10% (excluding voting rights), as the case may be, in several corporations which are held by the company jointly with Bea Hotels N.V. and Euro Sea Hotels N.V.

2. Within the terms of the management agreements, the hotels were granted a sub-franchise by the Company allowing them the utilisation, throughout the term of the management agreements, of the "Park Plaza" name, in consideration for royalties of 1% up to 3% of the gross room revenues ("the Franchise fee").
3. The Company is obligated to pay a Franchise fee of gross room revenues to Carlson Hotels for the duration of the contract commencing March 2003.

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 12:—REVENUES

	Year ended 31 December		
	2006	2005	2004
		€'000	
Hotel operations	27,029	22,260	21,926
Management fees	7,303	5,081	4,467
Franchise fees	3,481	2,480	1,916
	<u>37,813</u>	<u>29,821</u>	<u>28,309</u>

NOTE 13:—COST OF REVENUES

	Year ended 31 December		
	2006	2005	2004
		€'000	
Salaries and related expenses	8,446	6,661	6,525
Hotel rental	8,916	7,103	7,360
Franchise fees	2,898	1,664	1,466
Utilities	1,233	1,024	1,004
Food and beverage	1,654	1,441	1,497
Laundry and dry cleaning	738	508	721
Property tax	611	169	90
Adjustments of accruals ⁽¹⁾	(1,205)	(2,732)	(4,893)
Other	1,576	1,401	1,394
	<u>24,867</u>	<u>17,239</u>	<u>15,164</u>

Note:

(1) Reflects principal adjustments of various estimated accruals recorded in respect of Note 15 whose operations were discontinued previous years, see also Note 10.

NOTE 14:—OTHER OPERATING EXPENSES

	Year ended 31 December		
	2006	2005	2004
		€'000	
Management services from related parties	1,265	670	570
Travel agent commissions	782	611	499
Travel expenses	376	565	464
Credit card commission	265	214	225
Professional fees	586	178	286
Other	2,610	2,998	2,607
	<u>5,884</u>	<u>5,236</u>	<u>4,651</u>

NOTE 15:—FINANCIAL EXPENSES, NET

	Year ended 31 December		
	2006	2005	2004
		€'000	
Golden Wall Investments Ltd. ⁽¹⁾	13,217	11,655	11,233
Other	151	58	32
	<u>13,368</u>	<u>11,713</u>	<u>11,265</u>

Note:

(1) See Note 9.

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 16:—INCOME TAXES, NET

- a. The major components of income tax expenses for the following periods are:

	Year ended 31 December		
	2006	2005	2004
		€'000	
Current taxes	6	23	30
Deferred taxes	(665)	—	162
Income tax expense reported in the consolidated statements of operations	(659)	23	192

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

	Year ended 31 December,		
	2006	2005	2004
		€'000	
Results before income tax	(6,897)	(4,881)	(3,353)
Group's statutory income tax rate (2004 to 2006)	(2,042)	(1,538)	(1,157)
Different tax rates for subsidiaries	18	(129)	(388)
Tax effect of results that are not taken into account for tax purposes	3,779	3,749	3,756
Tax effect of temporary differences (which are not recognised in a deferred tax asset)	(3,176)	(3,889)	(6,092)
Compensation of losses for which deferred taxes were not recognised	(229)	(242)	(940)
Losses for which deferred taxes were not recognised	1,279	2,072	5,013
Previous losses recognised in a deferred tax asset	(289)	—	—
Income tax expense (income) reported in the consolidated income statement	(659)	23	192

- c. The Company is part of a fiscal unity for income taxes with its subsidiary companies Park Plaza Hotels Europe B.V. and Park Plaza Hotels Europe (Germany) B.V. As a result, the company and its subsidiaries have a joint and separate liability for income tax liabilities of the fiscal unity, taken as a whole.

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 16:—INCOME TAXES, NET (Continued)

- d. Deferred income tax assets and liabilities reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the deferred tax assets and liabilities are as follows:

	<u>2006</u> €'000
<i>Deferred tax assets</i>	
Valuation intangible rights	49,378
Unrecognised deferred tax assets	(49,378)
Total recognised deferred tax assets	—
Tax losses	16,995
Unrecognised tax losses	(15,913)
Total recognised tax losses	1,082
<i>Total net tax assets position</i>	<u>1,082</u>
<i>Deferred tax liabilities</i>	
Fiscal reserves	546
Lease payable not released for tax purposes	594
Write off loans related parties	288
Unrecognised deferred tax liabilities	(1,011)
<i>Total deferred tax liabilities</i>	<u>417</u>
Net deferred tax assets	<u>665</u>

- e. The Group has carry forward tax losses for the year ended 31 December 2006 of €61,328 thousand (2005: €55,888 thousand, 2004: €49,832 thousand). The expiry date of these losses as at 31 December 2006 can be specified as follows (in thousands of EURO):

Expiry after ten years	50,239
Unlimited carried forward	11,089

Deferred tax assets have been recognised in respect of these losses to the amount expected to be used to offset taxable profits within the Group.

NOTE 17:—RELATED PARTIES

- a. Balances

	<u>31 December</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
	€'000		
Golden Wall Investment Ltd. ⁽¹⁾ :			
Long-term liabilities	<u>237,989</u>	<u>230,314</u>	<u>221,388</u>
Other related parties:			
Other current assets ⁽²⁾	<u>59</u>	<u>68</u>	<u>72</u>
Current liabilities ⁽²⁾	<u>159</u>	<u>1,017</u>	<u>1,377</u>

Notes:

(1) See Note 9 for the terms of the loans.

(2) Current liabilities due to and current assets due from related parties are non-interest bearing.

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 17:—RELATED PARTIES (Continued)

b. Transactions:

	Year ended 31 December		
	2006	2005	2004
	€'000		
Management services from PPHE UK Ltd.	(1,265)	(670)	(570)
Financial expenses	(13,217)	(11,655)	(11,233)

NOTE 18:—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 business

	Benelux Region	Germany	Hungary	U.K. €'000	Other	Eliminations	Total
31 December 2006							
Revenues:							
Sales to external customers	4,050	21,073	6,091	6,473	126	—	37,813
Inter-segment sales	—	2,172	510	—	—	(2,682)	—
Total revenues	<u>4,050</u>	<u>23,245</u>	<u>6,601</u>	<u>6,473</u>	<u>126</u>	<u>(2,682)</u>	<u>37,813</u>
Results:							
Segment results	<u>2,352</u>	<u>(322)</u>	<u>556</u>	<u>4,201</u>	<u>(317)</u>	<u>—</u>	6,470
Unallocated expenses							—
Profit from operations							6,470
Net finance cost							13,368
Result before income taxes							(6,898)
Income tax expense							659
Net loss for the year							<u>(6,239)</u>
Assets and liabilities:							
Segment assets	<u>14,306</u>	<u>5,075</u>	<u>1,110</u>	<u>—</u>	<u>—</u>		20,491
Segment liabilities	<u>1,217</u>	<u>4,973</u>	<u>527</u>	<u>—</u>	<u>—</u>		6,717
Unallocated liabilities							238,310
Total liabilities							<u>245,027</u>
Other segment information:							
Acquisition of furniture, fixtures and equipment	<u>—</u>	<u>286</u>	<u>38</u>	<u>—</u>	<u>—</u>		324
Depreciation of furniture, fixtures and equipment	<u>—</u>	<u>90</u>	<u>23</u>	<u>—</u>	<u>—</u>		113
Amortisation of intangible assets . . .	479	—	—	—	—		479

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 18:—SEGMENTS (Continued)

	<u>Benelux Region</u>	<u>Germany</u>	<u>Hungary</u>	<u>U.K.</u> €'000	<u>Other</u>	<u>Eliminations</u>	<u>Total</u>
31 December 2005							
Revenues:							
Sales to external customers	3,405	16,872	5,516	3,887	141	—	29,821
Inter-segment sales	—	2,169	670	—	—	(2,839)	—
Total revenues	<u>3,405</u>	<u>19,041</u>	<u>6,186</u>	<u>3,887</u>	<u>141</u>	<u>(2,839)</u>	<u>29,821</u>
Results:							
Segment results	<u>2,129</u>	<u>1,850</u>	<u>764</u>	<u>2,291</u>	<u>(200)</u>	<u>—</u>	6,834
Unallocated expenses							—
Profit from operations							6,834
Net finance cost							(11,713)
Result before income taxes							(4,879)
Income tax expense							(23)
Net loss for the year							<u>(4,902)</u>
Assets and liabilities:							
Segment assets	<u>13,918</u>	<u>3,883</u>	<u>958</u>	<u>—</u>	<u>—</u>		<u>18,759</u>
Segment liabilities	<u>901</u>	<u>3,592</u>	<u>668</u>	<u>—</u>	<u>—</u>		<u>5,161</u>
Unallocated liabilities							231,493
Total liabilities							<u>236,654</u>
Other segment information:							
Acquisition of furniture, fixtures and equipment	<u>—</u>	<u>37</u>	<u>11</u>	<u>—</u>	<u>—</u>		<u>48</u>
Depreciation of furniture, fixtures and equipment	<u>—</u>	<u>22</u>	<u>12</u>	<u>—</u>	<u>—</u>		<u>34</u>
Amortisation of intangible assets . . .	<u>478</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>		<u>478</u>

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 18:—SEGMENTS (Continued)

	<u>Benelux Region</u>	<u>Germany</u>	<u>Hungary</u>	<u>U.K.</u> €'000	<u>Other</u>	<u>Eliminations</u>	<u>Total</u>
31 December 2004							
Revenues:							
Sales to external customers	3,185	16,903	5,218	2,876	127	—	28,309
Inter-segment sales	—	1,964	684	—	—	(2,648)	—
Total revenues	<u>3,185</u>	<u>18,867</u>	<u>5,902</u>	<u>2,876</u>	<u>127</u>	<u>(2,648)</u>	<u>28,309</u>
Results:							
Segment results	<u>1,787</u>	<u>(1,053)</u>	<u>5,560</u>	<u>1,920</u>	<u>(299)</u>	<u>—</u>	7,915
Unallocated expenses							—
Profit from operations							7,915
Net finance cost							(11,265)
Result before income taxes							(3,350)
Income tax expense							(192)
Net loss for the year							<u>(3,542)</u>
Assets and liabilities:							
Segment assets	<u>11,241</u>	<u>3,922</u>	<u>1,117</u>	<u>—</u>	<u>—</u>		<u>16,280</u>
Segment liabilities	<u>720</u>	<u>4,940</u>	<u>700</u>	<u>—</u>	<u>—</u>		<u>6,360</u>
Unallocated liabilities							<u>222,927</u>
Total liabilities							<u>229,287</u>
Other segment information:							
Acquisition of furniture, fixtures and equipment	<u>—</u>	<u>33</u>	<u>45</u>	<u>—</u>	<u>—</u>		<u>78</u>
Depreciation of furniture, fixtures and equipment	<u>—</u>	<u>63</u>	<u>37</u>	<u>—</u>	<u>—</u>		<u>100</u>
Amortisation of intangible assets . . .	<u>479</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>		<u>479</u>

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 19:—FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow 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 a mix of fixed and variable rate debts.

Foreign currency risk

As a result of operations in the UK and Hungary, the Group's balance sheet can be affected by movements in the GBP or Hungarian Forint/Euro exchange rates. The Group did not seek to mitigate the effect of its structural currency exposure.

Credit risk

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, 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.

NOTE 20:—RECONCILIATION TO DUTCH GAAP

- a. As described in Note 2, these financial statements are the Company's first IFRS financial statements. Accordingly, the Company has presented the following reconciliations from its previous GAAP (Dutch GAAP) to IFRS as of 1 January 2004 (date of transition to IFRS) and for the year ended 31 December 2005 (last annual financial statements under Dutch GAAP).

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 20:—RECONCILIATION TO DUTCH GAAP (Continued)

b. Reconciliation of equity:

		31 December 2005			1 January 2004		
	Note	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
		€'000					
ASSETS							
NON-CURRENT ASSETS:							
Intangible assets	(1)	189,891	(182,800)	7,091	213,778	(205,730)	8,048
Furniture, fixtures and equipment		235	(82)	153	—	161	161
CURRENT ASSETS:							
Inventories		163	—	163	—	120	120
Other current assets	(2)	449	1,144	1,593	41	932	973
Trade receivables	(2)	5,451	—	5,451	6,666	(2,684)	3,982
Cash and cash equivalents . .	(2)	5,384	(1,076)	4,308	130	1,960	2,090
Group companies	(2)	68	(68)	—	2,308	(2,308)	—
<i>Total assets</i>		<u>201,641</u>	<u>(182,882)</u>	<u>18,759</u>	<u>222,923</u>	<u>(207,549)</u>	<u>15,374</u>
DEFICIENCY AND LIABILITIES							
DEFICIENCY:							
Issued capital		18	—	18	18	—	18
Share premium		34,614	(29,535)	5,079	34,614	(29,535)	5,079
Capital reserve	(11)	(191,810)	(191,821)	(11)	(191,810)	(191,821)	
Currency transaction reserve .	(10)	(1)	(11)	(11)	—	—	—
Accumulated deficit		<u>(72,403)</u>	<u>41,243</u>	<u>(31,160)</u>	<u>(26,623)</u>	<u>3,907</u>	<u>(22,716)</u>
<i>Total deficiency</i>	(1)	<u>(37,792)</u>	<u>(180,103)</u>	<u>(217,895)</u>	<u>7,998</u>	<u>(217,438)</u>	<u>(209,440)</u>
NON-CURRENT LIABILITIES:							
Related parties	(2)	230,314	—	230,314	214,100	(1,282)	212,818
Deferred tax		166	(4)	162	—	—	—
CURRENT LIABILITIES:							
Related parties	(2)	1,017	—	1,017	27	4,947	4,974
Other current liabilities	(2)(4)	6,220	(3,089)	3,131	379	4,909	5,288
Trade payables	(2)	17,16	314	2,030	419	1,315	1,734
		<u>8,953</u>	<u>(2,775)</u>	<u>6,178</u>	<u>825</u>	<u>11,171</u>	<u>11,996</u>
<i>Total liabilities</i>		<u>239,433</u>	<u>(2,779)</u>	<u>236,654</u>	<u>214,925</u>	<u>9,889</u>	<u>224,814</u>
<i>Total deficiency and liabilities</i> .		<u>201,641</u>	<u>(182,882)</u>	<u>18,759</u>	<u>222,923</u>	<u>(207,549)</u>	<u>15,374</u>

PARK PLAZA HOTELS EUROPE HOLDINGS B.V.
NOTES TO CONSOLIDATED FINANCIAL INFORMATION (Continued)

NOTE 20:—RECONCILIATION TO DUTCH GAAP (Continued)

c. Reconciliation of profit and loss:

	Note	Year ended 31 December 2005		
		Previous GAAP	Effect of transition to IFRS	IFRS
			€'000	
Revenues		29,821	—	29,821
Cost of revenues	(3)	10,103	7,136	17,239
Gross profit		19,718	(7,136)	12,582
Depreciation and amortisation	(1)	12,477	(11,965)	512
Other operating expenses	(3)(4)	14,161	(8,925)	5,236
Profit from operations		(6,920)	13,754	6,834
Financial expenses, net		11,715	(2)	11,713
Loss before income taxes		(18,635)	13,756	(4,879)
Income taxes		23	—	23
Net loss for the year		<u>(18,658)</u>	<u>13,756</u>	<u>(4,902)</u>

Notes to the reconciliation of equity as at 1 January 2004 and 31 December 2005 and of profit and loss for the year ended 31 December 2005:

- (1) Under previous GAAP, the acquisition of intangible assets was recorded at an amount determined between related parties. Under IFRS, the acquisition which was a transaction between companies under common control, is recorded at their carrying value in the accounts of the selling entity (see Note 1c). The difference in the recording of these assets also affects the amortisation in profit and loss.
- (2) In July 2004, a subsidiary acquired from the parent company the entire share capital of Park Plaza Germany Holdings GmbH (“the German company”). Under previous GAAP, the German company was consolidated from July 2004 (date of the acquisition).

Under IFRS, since this was an acquisition from the controlling parent company, the financial statements reflect the acquisition as if it had occurred at the beginning of the earliest period presented (1 January 2004) (see Note 1c).
- (3) Under previous GAAP certain expenses were recorded in other operating expenses, while expenses under IFRS should be recorded in cost of revenues.
- (4) Under previous GAAP, certain accruals were recorded that do not meet the requirements of IFRS. In the IFRS statements, these accruals were eliminated.

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PART B
EURO SEA HOTELS N.V.
COMBINED FINANCIAL INFORMATION
AS OF 31 DECEMBER 2006
EURO IN THOUSANDS

INDEX

	<u>Page</u>
Combined Balance Sheets	132
Combined Statements of Operations	133
Combined Statements of Changes in Equity	134
Combined Statements of Cash Flows	135-136
Notes to Combined Financial Information	137-160

The Directors
Euro Sea Hotels N.V.
The Netherlands
Dufaystraat 5 -hs,
1075 GR, Amsterdam
Netherlands

12 July 2007

Dear Sirs,

We report on the financial information of Euro Sea Hotels N.V. ("the Company") (together with its subsidiaries "the Group") for the years ended 31 December 2006, 2005 and 2004 ("the Financial Information") set out in Part IX of the AIM Admission Document dated 12 July 2007 ("the Admission Document"). The Financial Information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in Note 2. This report is required by paragraph (a) of Schedule Two to the AIM Rules as if Annex I item 20.1 of the Prospectus Rules applied and is given for the purpose of complying with that requirement and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

The Directors of the Company are responsible for preparing the Financial Information on the basis of preparation set out in Note 2 to the Financial Information. It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 Information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information for the years ended 31 December 2006, 2005 and 2004 gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and changes in equity for the years then ended in accordance with the basis of preparation set out in Note 2 to the Financial Information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully,

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

EURO SEA HOTELS N.V.
COMBINED BALANCE SHEETS

	Note	31 December		
		2006	2005	2004
			€'000	
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment	3	175,516	167,159	155,166
Investment property	4	—	—	19,657
Prepaid leasehold payments		18,678	18,439	18,028
Investment in associate	5	10,028	9,723	—
Other financial assets	6	15,509	7,875	8,765
		<u>219,731</u>	<u>203,196</u>	<u>201,616</u>
CURRENT ASSETS:				
Inventories		449	435	344
Trade receivables	8	4,342	3,667	2,473
Other receivables and prepayments	7	2,637	2,235	2,419
Short-term deposits		1,564	575	3,144
Cash and cash equivalents		7,725	10,316	5,469
		<u>16,717</u>	<u>17,228</u>	<u>13,849</u>
Total assets		<u>236,448</u>	<u>220,424</u>	<u>215,465</u>
EQUITY AND LIABILITIES				
EQUITY:				
Issued capital	9	54	54	54
Share premium		14,347	14,347	14,329
Capital reserve arising from transaction with related parties		20	—	—
Currency translation reserve		(5,128)	(4,421)	(5,633)
Net unrealised gain reserve		4,755	641	534
Other capital reserve		(129)	(129)	(129)
Accumulated deficit		(22,252)	(9,926)	(9,534)
Total equity		<u>(8,333)</u>	<u>566</u>	<u>(379)</u>
NON-CURRENT LIABILITIES:				
Bank loans	11	171,872	156,246	189,743
Other financial liabilities	12	2,355	6,550	7,639
Deferred income taxes	13	1,192	1,221	582
		<u>175,419</u>	<u>164,017</u>	<u>197,964</u>
CURRENT LIABILITIES:				
Loans from shareholders		—	40	58
Trade payables		8,989	8,751	7,329
Other payables and accruals	14	12,829	6,863	7,648
Bank borrowings	11	47,544	40,187	2,845
		<u>69,362</u>	<u>55,841</u>	<u>17,880</u>
Total liabilities		<u>244,781</u>	<u>219,858</u>	<u>215,844</u>
Total equity and liabilities		<u>236,448</u>	<u>220,424</u>	<u>215,465</u>

The accompanying notes are an integral part of the combined financial information.

EURO SEA HOTELS N.V.
COMBINED STATEMENTS OF OPERATIONS

	Note	Year ended 31 December		
		2006	2005	2004
		€'000		
Revenues	15	65,594	51,221	42,937
Cost of revenues	16	(39,088)	(30,749)	(23,617)
Gross profit		26,506	20,472	19,320
Depreciation	3	(6,808)	(5,476)	(4,404)
Other operating expenses	17	(13,090)	(11,005)	(7,357)
Profit from operations		6,608	3,991	7,559
Gain on sale of investment properties and investment in associate	4,5	—	11,301	6,102
Financial expenses, net	18	(17,434)	(13,759)	(12,612)
Share in profits of associate	5	85	—	—
Profit (loss) before income taxes		(10,741)	1,533	1,049
Income taxes (the benefit)	19	1,585	711	(169)
Profit (loss) for the year		(12,326)	822	1,218

The accompanying notes are an integral part of the combined financial information.

EURO SEA HOTELS N.V.
COMBINED STATEMENTS OF CHANGES IN EQUITY

	Issued capital	Share premium	Capital reserve arising from transaction with Related Parties	Currency translation reserve	Net unrealized gain reserve	Other capital reserve	Accumulated deficit	Total	Total recognized income (expense)
Balance as at 1 January 2004	54	14,329	—	(5,971)	1,834	(129)	(10,752)	(635)	
Change in fair value of hedging derivatives	—	—	—	—	(1,300)	—	—	(1,300)	(1,300)
Foreign currency translation adjustments . .	—	—	—	338	—	—	—	338	338
Profit for the year	—	—	—	—	—	—	1,218	1,218	1,218
									256
Balance as at 31 December 2004	54	14,329	—	(5,633)	534	(129)	(9,534)	(379)	
Change in fair value of hedging derivatives	—	—	—	—	107	—	—	107	107
Addition to equity upon combination of Suf Holdings B.V.	—	18	—	—	—	—	—	18	
Foreign currency translation adjustments . .	—	—	—	1,212	—	—	(1,214)	(2)	(2)
Profit for the year	—	—	—	—	—	—	822	822	822
									927
Balance as at 31 December 2005	54	14,347	—	(4,421)	641	(129)	(9,926)	566	
Change in fair value of hedging derivatives	—	—	—	—	4,114	—	—	4,114	4,114
Capital reserve arising from transaction with related parties	—	—	20	—	—	—	—	20	
Foreign currency translation adjustments . .	—	—	—	(707)	—	—	—	(707)	(707)
Loss for the year	—	—	—	—	—	—	(12,326)	(12,326)	(12,326)
									(8,919)
Balance as at 31 December 2006	54	14,347	20	(5,128)	4,755	(129)	(22,252)	(8,333)	

The accompanying notes are an integral part of the combined financial information.

EURO SEA HOTELS N.V.
COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2006	2005	2004
		€'000	
<i>Cash flows from operating activities:</i>			
Profit (loss) for the year	(12,326)	822	1,218
Adjustment to reconcile net profit (loss) to cash provided by (used in) operating activities ^(a)	13,149	(5,903)	(9,629)
Net cash used in operating activities	823	(5,081)	(8,411)
<i>Cash flows from investing activities:</i>			
Purchase of property, plant and equipment	(12,061)	(14,082)	(21,402)
Investment in associate	—	(10,192)	—
Net change in cash from disposal of jointly controlled entities ^(b)	—	6,167	—
Net change in cash from disposal of subsidiary ^(c)	(1,628)	—	—
Proceeds from disposal of associate	—	—	32,511
Decrease (increase) in short-term deposits, net	(989)	2,569	(2,791)
Increase (decrease) in restricted cash	(117)	117	—
Loans to jointly controlled entities	—	(472)	(356)
Repayment of loans to jointly controlled entities	4,501	—	—
Loans to related parties	(9,282)	(1,472)	—
Net cash provided by (used in) investing activities	(19,576)	(17,365)	7,962
<i>Cash flows from financing activities:</i>			
Proceeds from long-term loans	134,997	28,512	60,364
Repayment of long-term loans	(116,251)	(1,491)	(60,958)
Increase (decrease) in short-term credit, net	(48)	178	(42)
Loans from related parties (repayment of loans from related parties)	(2,955)	61	3,285
Addition to equity upon combination of Suf Holding B.V.	—	18	—
Repayments of loans from shareholders	(40)	(18)	(1,158)
Net cash provided by financing activities	15,703	27,260	1,491
Increase (decrease) in cash and cash equivalents	(3,050)	4,814	1,042
Net foreign exchange differences	459	33	(404)
Cash and cash equivalents at beginning of year	10,316	5,469	4,831
Cash and cash equivalents at end of year	7,725	10,316	5,469

The accompanying notes are an integral part of the combined financial information.

EURO SEA HOTELS N.V.
COMBINED STATEMENTS OF CASH FLOWS (Continued)

	Year ended 31 December		
	2006	2005	2004
	€'000		
(a) Adjustment to reconcile profit (loss) to net cash provided by (used in) operating activities:			
Gain on sale of investments	—	(11,301)	(6,102)
Share in profits of associate	(85)	—	—
Provision for impairment of loans	1404	763	186
Deferred income taxes	(29)	639	(311)
Interest expense on bank loans	14,417	9,920	9,778
Interest paid on bank loans	(13,481)	(11,382)	(13,369)
Depreciation	6,808	5,476	4,404
Changes in operating assets and liabilities:			
Decrease (increase) in other assets	676	(814)	(661)
Decrease (increase) in inventories	(14)	(91)	14
Decrease (increase) in trade and other receivables	(969)	(1,251)	1,582
Increase (decrease) in trade and other payables	1,265	2,182	(2,858)
Increase (decrease) in other liabilities	3,157	(44)	(2,292)
	<u>13,149</u>	<u>(5,903)</u>	<u>(9,629)</u>
(b) Net change in cash from disposal of jointly controlled entities:			
Current assets (except cash)	—	241	—
Current liabilities	—	(26,349)	—
Investment property	—	20,047	—
Long-term assets	—	2,782	—
Long-term liabilities	—	(940)	—
Hedging reserve	—	(233)	—
Translation reserve	—	(682)	—
Gain on disposal of investment (Note 4)	—	11,301	—
	<u>—</u>	<u>6,167</u>	<u>—</u>
(c) Net change in cash from disposal of subsidiary:			
Current assets (except cash)	11	—	—
Current liabilities	(1,096)	—	—
Long-term liabilities	(543)	—	—
	<u>(1,628)</u>	<u>—</u>	<u>—</u>
(d) Supplemental disclosure of cash flows:			
Cash paid during the year for:			
Income taxes	<u>259</u>	<u>247</u>	<u>82</u>

The accompanying notes are an integral part of the combined financial information.

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION

NOTE 1:—GENERAL

- a. The combined financial information of Euro Sea Hotels N.V. (“the Company”) for the year ended 31 December 2006, was authorised for issuance in accordance with a resolution of the directors on June 20, 2007.

- b. Description of business and formation of the Company:

The Company was incorporated on 11 November 1991 and is registered in Amsterdam (The Netherlands). The Company and its subsidiaries (“the Group”) and its affiliates are principally engaged in the development, construction, management and operation of hotels over Europe. Most of the Group’s activities are conducted via subsidiaries, associate and joint ventures.

The Company is a wholly owned subsidiary of Atlantic Pacific Enterprises B.V. (“the parent company”).

- c. Combined financial information:

Concurrent with the placing of the shares of Park Plaza Hotels Limited on AIM, a market operated by the London Stock Exchange, the parent company will contribute to the Company its interest in Suf Holdings B.V. (“Suf”), a wholly-owned subsidiary of the parent company, such that Suf will become a wholly owned subsidiary of the Company (“the Transaction”). The business activities and net assets of Suf are comprised solely of its holdings in jointly controlled companies that own three hotels (Riverbank Hotel Holding B.V., Victoria London Hotel Holding B.V. and Grandis Netherlands Holding B.V.). The holdings in these companies were acquired by Suf from the Company in March 2006.

Since the Transaction is a business combination involving entities under the control of a common parent, the Transaction is not a business combination within the scope of International Financial Reporting Standard 3. The Company is accounting for the Transaction in a manner similar to a pooling of interests.

Accordingly, the Company has prepared combined financial statements specifically for the purpose of the Admission Document to reflect the Transaction as if it had occurred at the date on which Suf was incorporated (23 June 2005). Thus the financial information presented herein comprises the consolidated financial position, results of operations and cash flows of the Group until 23 June 2005 and the combined financial position, results of operations and cash flows of the Group and of Suf from 23 June 2005 to 31 December 2006. Since, as described above, the business activities and net assets of Suf are comprise solely of holdings in companies that were previously owned by the Company, the effect of accounting for this transaction as a pooling of interests in the combined financial information, is to reflect the financial position, results of operations and cash flows of these companies included in the Transaction as if they had been part of the Group for all periods presented.

- d. Effective 1 October 2006, the Company sold its holdings in a subsidiary WW Gear Construction Limited (hereinafter—WW Gear), to the parent company for a consideration equal to the carrying value of WW Gear. As a result, WW Gear ceased to be consolidated in these financial statements as of 30 September 2006.

NOTE 2:—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation:

The combined financial information is prepared in accordance with International Financial Reporting Standards (IFRS) except in respect of the following matters:

- The combined financial information does not comply with IAS 27, Consolidated and Separate Financial Statements, because, prior to 31 December 2006, the Company did not control Suf, and consequently the Company is not permitted by IAS 27 to present consolidated financial information. The financial information has therefore been prepared on a combined basis by applying the principles underlying the consolidation procedures of IAS 27;

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 2:—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- As the financial information has been prepared on a combined basis, the Company is unable to measure earnings per share. Accordingly, the requirement of IAS 33, Earnings per Share, to disclose earnings per share has not been complied with; and
- The combined financial information does not constitute a set of general purpose financial statements under paragraph 3 of IAS 1 and consequently the Company does not make an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 14 of IAS 1.

The basis of preparation and accounting policies used in preparing the combined financial information for the years ended 31 December 2006, 2005 and 2004 are set out below. These accounting policies have been consistently applied to the periods presented unless otherwise stated.

b. Presentation currency:

The consolidated financial information is presented in Euro and all amounts are rounded to the nearest thousand (€'000) except when otherwise indicated.

c. 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. The major estimations in the accounts are concerning the depreciation of property, plant and equipment and of investment properties.

d. Basis of combination:

The combined financial statements comprise the financial statements of the Company and enterprises controlled by the Company (its subsidiaries).

The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising therefrom, are eliminated.

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

The Group has interests in hotels in the Netherlands, the U.K. and Hungary, through subsidiaries and jointly controlled entities. Details of the Company's wholly-owned subsidiaries as at 31 December 2006 are as follows:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activity</u>
Leno Hotel Holding B.V.	The Netherlands	Holding company
Euro Plaza Properties Ltd.	Channel Islands	Holding company
Hotel Leeds Holding B.V.	The Netherlands	Hotel company
Leeds Park Plaza Hotel Ltd.	Channel Islands	Holding company
Leeds Park Plaza Hotel Operator Ltd.	U.K.	Hotel operation
Hotel Nottingham Holding B.V.	The Netherlands	Hotel company
Nottingham Park Plaza Hotel Ltd.	Channel Islands	Holding company
Nottingham Park Plaza Hotel Operator Ltd.	U.K.	Hotel operation
The Mandarin Hotel B.V.	The Netherlands	Hotel company and operation
Victory Enterprises I B.V.	The Netherlands	Holding company
Irish River Holdings B.V.	The Netherlands	Holding company
GC Project Management Ltd.	U.K.	Holding company

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 2:—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group has the following interests in jointly controlled entities (proportionally combined as at 31 December 2006):

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Proportion of ownership interest</u>	<u>Principal activity</u>
		%	
Andrassy ut 25 Kft.	Hungary	50	Real estate company
Euston Road Properties Ltd. (ERP)	Channel Islands	35	Holding company
Euston Road Hotel Ltd. (ERH)	Channel Islands	35	Holding company
Euston Road Hotel Operator Ltd.(ERHO) ..	U.K.	35	Hotel operation
V.H.R.I. B.V.	The Netherlands	50	Holding company
V.H.R.M.S. B.V.	The Netherlands	50	Hotel operation
Utrecht Victoria Hotel B.V.	The Netherlands	50	Hotel operation
Victoria Hotel C.V.	The Netherlands	50	Hotel operation
Victoria Monument B.V.	The Netherlands	50	Real estate company
Gear Construction Management Ltd.	U.K.	50	Hotel construction
Albert Hotel Holdings Ltd.	Channel Islands	45	Holding company
Albert Hotel Ltd.	Channel Islands	45	Holding company
Riverbank Hotel Operator Ltd.	U.K.	45	Hotel operation
Riverbank Hotel Holding B.V.	The Netherlands	45	Holding company
Taravilla Ltd.	Channel Islands	45	Holding company
Alora Ltd.	Channel Islands	45	Holding company
Victoria London Hotel Holding B.V.	The Netherlands	45	Holding company
Victoria Park Plaza Operator Ltd.	U.K.	45	Hotel operation
Sherlock Holmes Park Plaza Ltd.	U.K.	45	Hotel operation
Grandis Netherlands Holding B.V.	The Netherlands	45	Holding company
Victoria Pub B.V.	The Netherlands	45	Holding company

e. Associates:

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 in these financial statements 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 associates conform to those used by the Group. As of 31 December 2006, the Company has an investment in one associate, as follows:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Proportion of ownership interest</u>	<u>Principal activity</u>
		%	
Marlbray Limited	U.K.	33.3	Hotel company

f. 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 combined 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.

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 2:—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Foreign currency translation:

The combined financial statements are presented in Euro which is the Company's functional and presentation currency. 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 currencies other than Euro are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising from exchange differences are included in the statement of operations.

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 (foreign 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 entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

	31 December		
	2006	2005	2004
	In Euro		
U.S. dollars	0.758	0.845	0.732
Hungarian Forint	0.004	0.004	0.004
Great Britain Pound	1.491	1.458	1.420

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

	31 December		
	2006	2005	2004
	%		
U.S. dollars	(10.3)	15.47	(7.87)
Hungarian Forint	(0.00)	(0.00)	0.07
Great Britain Pound	2.26	2.68	0.07

h. Property, plant and equipment:

Property, plant and equipment, are stated on the balance sheet at cost, less accumulated depreciation and impairments in value. 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 statement of operations 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.

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 2:—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Investment property:

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and impairments in value.

Depreciation is calculated using the straight-line method over the estimated useful life of the property.

j. Impairment:

At each reporting date, the Group reviews the carrying amounts of its 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.

k. Inventories:

Inventories of food and beverages are stated at the lower of cost and net realisable value. Cost is calculated using the first in—first out method.

l. 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.

m. 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.

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 2:—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of operations when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised.

n. Trade receivables:

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

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.

o. Bank borrowings:

Interest-bearing bank loans and overdrafts 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.

p. Revenue recognition:

Revenues from hotel operations are recognised as services are rendered.

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

q. 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 statements of operations on a straight-line basis over the lease term.

Prepaid leasehold payments

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

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 2:—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. 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 profit or loss in the period in which they are incurred.

s. 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.

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 2:—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

t. Earnings per share:

Basic and diluted earnings per share amounts are calculated by dividing net profit and loss for the period by the weighted average number of ordinary shares outstanding during the period.

u. Transactions with the parent company and companies under common control:

The sale of investments in subsidiaries and jointly controlled entities to the parent company or to companies under common control is accounted for at the carrying values of the investments in these companies at the date of sale. Any difference between the consideration received and the carrying value is recorded in equity (capital reserves).

v. Future changes in accounting policies:

The Group did not early adopt the following IFRS. Management expects that adoption of these pronouncements will not have a material impact on the financial position and results of operations of the Group:

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment-Presentation of Financial Statements

IFRS 7 Financial Instruments: Disclosures

IFRS 7 requires disclosures that enable users to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

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.

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 3:—PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Hotel buildings</u>	<u>Furniture and equipment</u>	<u>Total</u>
			€'000	
Cost:				
Balance as of 1 January 2004	11,122	125,027	15,101	151,250
Adjustment for exchange rate differences	6	342	7	355
Additions during the year	—	20,747	655	21,402
Balance as of 31 December 2004	<u>11,128</u>	<u>146,116</u>	<u>15,763</u>	<u>173,007</u>
Accumulated depreciation:				
Balance as of 1 January 2004	—	8,420	5,492	13,912
Adjustment for exchange rate differences	—	2	1	3
Provision for depreciation	—	2,031	1,895	3,926
Balance as of 31 December 2004	<u>—</u>	<u>10,453</u>	<u>7,388</u>	<u>17,841</u>
Depreciated cost as of 31 December 2004	<u>11,128</u>	<u>135,663</u>	<u>8,375</u>	<u>155,166</u>
Cost:				
Balance as of 1 January 2005	11,128	146,116	15,763	173,007
Adjustment for exchange rate differences	233	3,066	271	3,570
Additions during the year	—	8,510	5,572	14,082
Balance as of 31 December 2005	<u>11,361</u>	<u>157,692</u>	<u>21,606</u>	<u>190,659</u>
Accumulated depreciation:				
Balance as of 1 January 2005	—	10,453	7,388	17,841
Adjustment for exchange rate differences	—	100	83	183
Provision for depreciation	—	2,926	2,550	5,476
Balance as of 31 December 2005	<u>—</u>	<u>13,479</u>	<u>10,021</u>	<u>23,500</u>
Depreciated cost as of 31 December 2005	<u>11,361</u>	<u>144,213</u>	<u>11,585</u>	<u>167,159</u>
Cost:				
Balance as of 1 January 2006	11,361	157,692	21,606	190,659
Adjustment for exchange rate differences	196	2,374	725	3,295
Additions during the year	—	9,191	2,870	12,061
Balance as of 31 December 2006	<u>11,557</u>	<u>169,257</u>	<u>25,201</u>	<u>206,015</u>
Accumulated depreciation:				
Balance as of 1 January 2006	—	13,479	10,021	23,500
Adjustment for exchange rate differences	—	75	116	191
Provision for depreciation	—	2,308	4,500	6,808
Balance as of 31 December 2006	<u>—</u>	<u>15,862</u>	<u>14,637</u>	<u>30,499</u>
Depreciated cost as of 31 December 2006	<u>11,557</u>	<u>153,395</u>	<u>10,564</u>	<u>175,516</u>

Notes:

	31 December		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
		€'000	
(1) Cumulative expenditures for hotels under construction included in cost balances	—	—	34,241
(2) For information regarding liens, see Note 10.			

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 4:—INVESTMENT PROPERTY

	<u>Book value</u>
	<u>€'000</u>
Balance at 1 January 2004	20,120
Depreciation (useful life—62 years)	(478)
Exchange rate differences	15
	<u>19,657</u>
Balance at 31 December 2004	19,657
Depreciation	—
Exchange rate differences	390
Realization	(20,047)
	<u>—</u>
Balance at 31 December 2005	<u>—</u>

The investment property was held by a jointly controlled entity (“Shaw”) in which the Company owned a 30% interest. In an agreement dated 19 December 2005, the Company sold its interest in Shaw to a third party for a consideration of €7.7 million. The carrying value of the interest in Shaw amounted to a net liability of €3.6 million, and accordingly, the Company recorded a gain on the sale of €11.3 million.

NOTE 5:—INVESTMENT IN ASSOCIATE

- a. As at 31 December 2003, the Company invested in Gresham Hotels Group Plc., (“Gresham”) which is an Irish public company, traded on the stock exchanges of Dublin and London, and operates in the hotel segment. The Company held 24.1% of the Ordinary share capital of Gresham and 99.7% of the participating preference shares of Gresham, which entitled the Company to a voting power of 27.9%.

On 8 July 2004, a public offer was accepted to sell the investment in Gresham. The bidder undertook to buy the shares at €1.40 per share. The total net proceeds from the sale amounted to approximately €32.5 million and the Company recorded a gain of approximately €6.1 million. As at 22 July 2004, the Group no longer holds shares in Gresham.

- b. In June 2005, the Company purchased 33.3% of the share capital of Marlbray Ltd. in consideration of €10.2 million. Marlbray Ltd. owns land and a building in London. Marlbray Ltd. intends to demolish the existing building and build a new hotel. Accordingly, the excess of cost over the fair value of the net assets acquired in the amount of €10.2 million was allocated to land.
- c. Composition of investment and movement:

	<u>31 December</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
		<u>€'000</u>	
Balance at the beginning of the year	9,723	—	25,945
Share of profit	85	—	—
Share purchase	—	10,192	—
Translation reserve	220	(469)	464
Realization	—	—	(26,409)
	<u>10,028</u>	<u>9,723</u>	<u>—</u>
Balance at the end of the year	<u>10,028</u>	<u>9,723</u>	<u>—</u>

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 5:—INVESTMENT IN ASSOCIATE (Continued)

Share of the associate's balance sheet:

	31 December		
	2006	2005	2004
		€'000	
Current assets	20,656	11,919	
Non-current assets	9,932	9,712	—
Current liabilities	(20,560)	(11,908)	—
Non-current liabilities	—	—	—
Net assets	<u>10,028</u>	<u>9,723</u>	<u>—</u>
Share of the associate's revenue and profit:			
Revenue	<u>—</u>	<u>—</u>	<u>—</u>
Profit	<u>85</u>	<u>—</u>	<u>—</u>

NOTE 6:—OTHER FINANCIAL ASSETS

Loans to jointly controlled entities ⁽¹⁾	—	4,644	4,935
Derivative financial instruments (see Note 24)	4,755	1,247	1,305
Loans to related parties (see Note 21)	10,754	1,472	—
Rent receivable	—	—	1,889
Other	<u>—</u>	<u>512</u>	<u>636</u>
	<u>15,509</u>	<u>7,875</u>	<u>8,765</u>

Note:

(1) Represents financing the Company provided to jointly controlled entities in excess of its ownership interest. The loan balances are net of a provision for impairment.

The loans to jointly controlled entities consist of the following:

	31 December		
	2006	2005	2004
		€'000	
Riverbank Hotel Holding B.V. (Euro)	1,001	3,181	2,283
Grandis Netherlands Holding B.V. (GBP)	626	899	801
Shaw Hotel Holding B.V. (GBP)	—	—	614
Victoria London Hotel Holding B.V. (GBP)	<u>—</u>	<u>2,048</u>	<u>1,958</u>
	1,627	6,128	5,656
Less—provision for impairment	<u>(1,627)</u>	<u>(1,484)</u>	<u>(721)</u>
	<u>—</u>	<u>4,644</u>	<u>4,935</u>

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 7:—OTHER RECEIVABLES AND PREPAYMENTS

	31 December		
	2006	2005	2004
		€'000	
Prepaid expenses	796	531	459
VAT and taxes	239	98	139
Related parties (See Note 21)	735	437	353
Others	867	1,169	1,468
	<u>2,637</u>	<u>2,235</u>	<u>2,419</u>

NOTE 8:—TRADE RECEIVABLES

Trade receivables	4,547	3,849	2,645
Less—allowance for doubtful debts	(205)	(182)	(172)
	<u>4,342</u>	<u>3,667</u>	<u>2,473</u>

NOTE 9:—SHARE CAPITAL

Share capital is comprised of ordinary shares of €2 par value each:

	31 December		
	2006	2005	2004
		Number of shares	
Authorized	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>
Issued and fully paid	<u>27,300</u>	<u>27,300</u>	<u>27,300</u>

NOTE 10:—COMMITMENTS AND PLEDGES

a. Pledges, collateral and securities:

- 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 (“the Loan”).

As part of the loan agreement, the Lender was provided with the following securities:

- Charge over the Holding Companies’ tangible fixed assets and the revenues and profits derived from them.
- First ranking share pledges over the whole issued and outstanding share capital of the Borrowers and Park Plaza’s affiliated companies.
- Account pledge from Park Plaza and its subsidiaries.
- A deed of subordination whereby all the loan notes and any rights of the Borrowers’ shareholders are subordinated to the rights of the Lender.

In addition, the Borrowers have taken upon themselves to comply with financial and operating covenants. As of 31 December 2006, 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 for any other reason (“Transactions”), the Borrowers shall pay to the Lender an amount equivalent to 15% of the difference between the market value of the hotels as

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 10:—COMMITMENTS AND PLEDGES (Continued)

determined in such Transactions and the agreed value of the Hotels amounted to £212.5 million for the purposes of the Refinancing Loan.

2. The following securities were given in respect of loans which were repaid by the Company:

A first ranking pledge over all Atlantic Pacific Enterprises B.V. shares in Euro Sea Hotels N.V. in favor of the Bank;

Pledged (first or second ranking as the case may be) over all of the Company's shares in Mandarin, in Vic I, in Andrassy, in Euro Plaza which in July 2002 became a pledge over the shares in Leno B.V..

3. Substantially all of the Group's assets and all of the rights connected or related to the ownership of the assets are pledged in favor of banks and for financial institutions ("the lenders") as a security for loans received from the lenders. For most of the loans, specific assets are pledged as the sole security provided. For certain loans, the Group companies (mainly hotel companies in the U.K.) are required to comply with certain financial and operating covenants. As of 31 December 2006, two of those Companies do not comply with those financial covenants and received a waiver from the bank. For further information, see Note 11a(2).
4. 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.

b. Commitments:

Management agreements:

The Group's hotels (located in the Netherlands and U.K.) are managed by Park Plaza Hotel Europe B.V. (the "Management Company"), in consideration for an annual fee of 2% of the room revenue (the "Base Fee") as well as 7% of the gross operating profit (the "Incentive fee") as defined in the management agreements. The hotels also participate in certain portions of the expenses incurred by the Management Company, up to 3% of the gross operating profit. Upon termination of a management agreement earlier than the date specified in the contract, the company owning the respective hotel is obliged to pay to the Management Company an amount equal to the Base Fee, the Incentive fee and the Franchise Fee (see below) paid to the Management Company in the 12 month period preceding such sale or transfer. In the event of a sale of the Victoria Hotel in Amsterdam, the Management Company shall also be entitled to receive 2.5% of any profit generated from such a sale.

The Management Company is vested with ownership rights (excluding voting rights), at a rate of 5% or 10% in several proportionately held companies.

- c. Within the terms of the management agreements, the hotels were granted a sub-franchise by the Management Company allowing them the utilization, throughout the term of the management agreements, of the "Park Plaza" name, in consideration for royalties not exceeding 1.5% of the room revenues (the "Franchise Fee").

The management agreements are for periods of 15 to 20 years.

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 10:—COMMITMENTS AND PLEDGES (Continued)

d. Lease agreements:

The Group has entered into 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-cancelable leases are as follows:

31 December 2006	€'000
Within one year	3,220
After one year but not more than 5 years	12,882
More than 5 years	293,211
	<u>309,313</u>

The lease agreement periods range from 95 to 125 years.

NOTE 11:—BANK LOANS

a. Composed as follows:

	Average interest rate ⁽¹⁾	31 December		
	%	2006	2005	2004
			€'000	
Loans in € (see b1)	5.8	50,425	72,476	59,181
Loans in GBP (see b2)	7.4	168,991	123,867	133,341
Loans in \$ (see b3)		—	90	66
		219,416	196,433	192,588
Less—current maturities	(2)	47,544	40,187	2,845
		<u>171,872</u>	<u>156,246</u>	<u>189,743</u>

Notes:

(1) As of 31 December 2006, taking into consideration the effect of interest swaps (see note 24).

(2) Includes amount of €36,210 thousand on account of two of the company subsidiaries which do not comply with certain of the financial covenants, therefore, the entire loan is presented under short term liabilities. The bank has provided a waiver with connection of those loans. It is not the banks intention to call up the facilities unless the financial position of those companies shall materially deteriorate from the trading information currently supplied to the bank.

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

	31 December		
	2006	2005	2004
		€'000	
1. Loans in €:			
First year—current maturities	7,642	29,004	277
Second year	826	732	15,435
Third year	41,957	825	688
Fourth year	—	7,365	825
Fifth year	—	27,108	34,321
Thereafter	—	7,442	7,635
	<u>50,425</u>	<u>72,476</u>	<u>59,181</u>

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 11:—BANK LOANS (Continued)

		31 December		
		2006	2005	2004
			€'000	
2.	Loans in GBP:			
	First year—current maturities	39,902	11,093	2,569
	Second year	1,962	48,819	2,411
	Third year	1,962	2,835	41,598
	Forth year	1,962	2,917	3,001
	Fifth year	1,962	3,003	3,218
	Thereafter	121,241	55,200	80,544
		<u>168,991</u>	<u>123,867</u>	<u>133,341</u>
3.	Loans in \$:			
	First year—current maturities	—	90	—
	Second year	—	—	66
		<u>—</u>	<u>90</u>	<u>66</u>

For collateral, securities and pledges, see Note 10.

NOTE 12:—OTHER FINANCIAL LIABILITIES

		31 December		
		2006	2005	2004
			€'000	
	Supervisory fees due to related parties	2,140	2,093	2,038
	Deposits	—	—	1,065
	Derivative financial instruments	—	606	771
	Related parties	—	3,636	3,575
	Other	215	215	190
		<u>2,355</u>	<u>6,550</u>	<u>7,639</u>

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 13:—DEFERRED INCOME TAXES

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

	<u>Tax loss carryforward</u>	<u>Property, plant and equipment</u>	<u>Total</u>
		€'000	
Balance as at 1 January 2004	1,082	(1,975)	(893)
Prior year adjustment	96	—	96
Amounts included in statement of income	(457)	672	215
Balance as at 31 December 2004	721	(1,303)	(582)
Prior year adjustment	(58)	72	14
Amounts included in statement of income	(574)	(79)	(653)
Balance as at 31 December 2005	89	(1,310)	(1,221)
Prior year adjustment	—	184	184
Amounts included in statement of income	(89)	(66)	(155)
Balance as at 31 December 2006	<u>—</u>	<u>(1,192)</u>	<u>(1,192)</u>

NOTE 14:—OTHER PAYABLES AND ACCRUALS

	<u>31 December</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
		€'000	
Employees	754	572	403
VAT and taxes	2,337	1,784	821
Accrued interest	1,512	576	2,038
Accrued expenses	3,508	1,695	1,892
Provision for impairment	1,261	—	—
Related parties ⁽¹⁾	799	118	—
Others	2,658	2,118	2,494
	<u>12,829</u>	<u>6,863</u>	<u>7,648</u>

Note:

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

NOTE 15:—REVENUES

	<u>Year ended 31 December</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
		€'000	
Hotel operations in The Netherlands	16,564	15,540	14,617
Hotel operations in the U.K.	43,581	32,279	25,018
Rental revenue	384	2,531	2,447
Construction consulting services	4,997	528	—
Other	68	343	855
	<u>65,594</u>	<u>51,221</u>	<u>42,937</u>

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 16:—COST OF REVENUES

Salaries and related expenses	17,985	15,316	11,803
Department expenses	14,236	11,250	8,895
Food and beverage	4,229	3,655	2,919
Sub-contractors	<u>2,638</u>	<u>528</u>	<u>—</u>
	<u>39,088</u>	<u>30,749</u>	<u>23,617</u>

NOTE 17:—OTHER OPERATING EXPENSES

	Year ended 31 December		
	2006	2005	2004
		€'000	
Management fees	2,721 ⁽¹⁾	2,101	1,600
Rent	3,425	2,823	2,320
Provision for impairment losses	1,404	763	186
Insurance	557	571	428
Administrative expenses	409	527	480
Building taxes	1,810	1,775	894
External consultancy	719 ⁽²⁾	105	167
Bad debt provision	413	335	—
Pre-opening expenses	—	717	427
Other expenses	<u>1,632⁽³⁾</u>	<u>1,288</u>	<u>855</u>
	<u>13,090</u>	<u>11,005</u>	<u>7,357</u>

Notes:

- (1) Including management fees incurred by the Company in the amount of Euro 208 thousand.
(2) Including external consultancy expenses incurred by the Company in the amount of Euro 640 thousand.
(3) Including other expenses incurred by the Company in the amount of Euro 568 thousand.

NOTE 18:—FINANCIAL EXPENSES, NET

	Year ended 31 December		
	2006	2005	2004
		€'000	
Interest on bank overdrafts and loans	14,417	13,674	10,826
Interest from loans to related parties	366	(408)	(154)
Refinance cost ⁽¹⁾	3,888	—	1,373
Exchange rate differences, net	84	(377)	1,208
Other	<u>(1,321)</u>	<u>1,760</u>	<u>407</u>
	<u>17,434</u>	<u>14,649</u>	<u>13,660</u>
Less—amounts included in cost of qualifying assets	<u>—</u>	<u>(890)</u>	<u>(1,048)</u>
	<u>17,434</u>	<u>13,759</u>	<u>12,612</u>

Note:

- (1) Cost incurred on a loan refinancing made for three hotels in the UK (2004—three hotels in the Netherlands).

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 19:—INCOME TAXES, NET

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

	Year ended 31 December		
	2006	2005	2004
	€'000		
Current taxes	924	331	(35)
Taxes in respect of previous years	506	(273)	81
Deferred taxes	155	653	(215)
	<u>1,585</u>	<u>711</u>	<u>(169)</u>

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

	Year ended 31 December		
	2006	2005	2004
	€'000		
Profit (loss) before income taxes	(10,741)	1,533	1,049
Statutory income tax rate of 29.6% (2005—31.5%; and 2004—34.5%) . .	(3,179)	483	362
Adjustments in respect of:			
Taxes of previous years	506	(273)	81
Non-deductible expenses	136	608	53
Non-taxable income	(26)	(3,390)	(2,105)
Tax losses for which no deferred tax was recorded	3,275	2,816	1,008
Other	873	467	432
Income tax expense (benefit) reported in the statement of operations . .	<u>1,585</u>	<u>711</u>	<u>(169)</u>

- c. Carryforward losses for tax purposes:

Group companies have carry forward losses for tax purposes as of 31 December 2006 in the amount of €22,514 thousand (2005—18,670 thousand, 2004—14,505 thousand). For this tax losses no deferred tax asset was recorded.

- d. In 2006, the Company reached a compromise with The Netherlands tax administration regarding the tax years 1999-2002. The compromise is expected to be finalised formally before the end of 2007. Based on the compromise, income included in the tax returns for those years will be increased. This resulted in additional tax expense of approximately €345 thousand which has been included in the tax results for 2006.

NOTE 20:—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.

The United Kingdom segment includes the operations and assets and liabilities of 5 hotels (2005—5 and 2004—6).

The Netherlands segment includes the operations and assets and liabilities of 3 hotels.

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 20:—SEGMENTS (Continued)

Others include assets and liabilities from operations in other countries in Europe.

	<u>The Netherlands</u>	<u>U.K.</u>	<u>Other</u>	<u>Eliminations</u>	<u>Total</u>
			€'000		
31 December 2006					
Revenues:					
Sales to external customers	<u>16,564</u>	<u>45,660</u>	<u>3,370</u>	<u>—</u>	<u>65,594</u>
Segment results	<u>5,216</u>	<u>4,535</u>	<u>643</u>	<u>—</u>	<u>10,394</u>
Unallocated expenses					<u>(3,786)</u>
Profit from operations					6,608
Share in profit of associate	—	85	—	—	85
Financial expenses, net					<u>(17,434)</u>
Loss before income taxes					<u>(10,741)</u>
Income taxes					<u>1,585</u>
Loss for the year					<u>(12,326)</u>
Assets and liabilities:					
Segment assets	32,714	169,940	5,620	—	208,274
Investment in associates	—	10,028	—	—	10,028
Unallocated assets					18,146
Total assets					<u>236,448</u>
Segment liabilities	950	10,305	—	—	11,255
Unallocated liabilities					233,525
Total liabilities					<u>244,781</u>
Other segment information:					
Capital expenditure—fixed assets	<u>7,272</u>	<u>4,650</u>	<u>61</u>	<u>—</u>	<u>11,983</u>
Depreciation of assets	<u>969</u>	<u>5,873</u>	<u>—</u>	<u>—</u>	<u>6,842</u>

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 20:—SEGMENTS (Continued)

	<u>The Netherlands</u>	<u>U.K.</u>	<u>Other</u> €'000	<u>Eliminations</u>	<u>Total</u>
31 December 2005					
Revenues:					
Sales to external customers	<u>15,540</u>	<u>34,498</u>	<u>1,183</u>	<u>—</u>	<u>51,221</u>
Segment results	<u>4,100</u>	<u>2,388</u>	<u>655</u>	<u>—</u>	<u>7,143</u>
Unallocated expenses					<u>(3,152)</u>
Profit from operations					<u>3,991</u>
Gain on sale of investments					<u>11,301</u>
Financial expenses, net					<u>(13,759)</u>
Profit before income taxes					<u>1,533</u>
Income taxes					<u>711</u>
Profit for the year					<u>822</u>
Assets and liabilities:					
Segment assets	<u>30,576</u>	<u>162,056</u>	<u>5,900</u>	<u>—</u>	<u>198,532</u>
Investment in associates	<u>—</u>	<u>9,723</u>	<u>—</u>	<u>—</u>	<u>9,723</u>
Unallocated assets					<u>12,169</u>
Total assets					<u>220,424</u>
Segment liabilities	<u>1,546</u>	<u>8,255</u>	<u>98</u>	<u>—</u>	<u>9,899</u>
Unallocated liabilities					<u>209,959</u>
Total liabilities					<u>219,858</u>
Other segment information					
Capital expenditure—tangible assets	<u>820</u>	<u>12,920</u>	<u>342</u>	<u>—</u>	<u>14,082</u>
Intangible fixed assets	<u>—</u>	<u>9,723</u>	<u>—</u>	<u>—</u>	<u>9,723</u>
Depreciation of assets	<u>832</u>	<u>4,644</u>	<u>—</u>	<u>—</u>	<u>5,476</u>

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 20:—SEGMENTS (Continued)

	<u>The Netherlands</u>	<u>U.K.</u>	<u>Other</u>	<u>Eliminations</u>	<u>Total</u>
			€'000		
31 December 2004					
Revenues:					
Sales to external customers	<u>15,472</u>	<u>27,465</u>	<u>—</u>	<u>—</u>	<u>42,937</u>
Segment results	<u>4,635</u>	<u>4,142</u>	<u>—</u>	<u>—</u>	<u>8,777</u>
Unallocated expenses					<u>(1,218)</u>
Profit from operations					<u>7,559</u>
Gain on sale of investments					<u>6,102</u>
Financial expenses, net					<u>(12,612)</u>
Result before income taxes					<u>1,049</u>
Income taxes					<u>(169)</u>
Profit for the year					<u>1,218</u>
Assets and liabilities:					
Segment assets	<u>25,905</u>	<u>169,917</u>	<u>5,330</u>	<u>—</u>	<u>201,152</u>
Unallocated assets					<u>14,313</u>
Total assets					<u>215,465</u>
Segment liabilities	<u>986</u>	<u>7,662</u>	<u>57</u>	<u>—</u>	<u>8,705</u>
Unallocated liabilities					<u>207,139</u>
Total liabilities					<u>215,844</u>
Other segment information					
Capital expenditure—tangible fixed assets	<u>338</u>	<u>21,064</u>	<u>—</u>	<u>—</u>	<u>21,402</u>
Depreciation of assets	<u>811</u>	<u>3,593</u>	<u>—</u>	<u>—</u>	<u>4,404</u>

NOTE 21:—RELATED PARTIES

a. Balances with Parent Company and its subsidiaries:

	31 December		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
	€'000		
Other receivables	735	437	353
Other assets ⁽¹⁾	10,754	1,472	—
Other payables	799	118	—
Loans from shareholders	—	40	53
Other financial liabilities	2,140	5,729	5,613

	31 December 2006			
	<u>Within one year</u>	<u>Between two and five years</u>	<u>More than five years</u>	<u>Maturity not yet determined</u>
Receivables				
Euro	735	—	—	10,754

Note:

(1) Loans amounting to €10,754 thousand and €9,282 thousand bear interest at an annual rate of 6% and 6.125%, respectively. The remaining loans bear no interest.

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 21:—RELATED PARTIES (Continued)

b. Transactions with related parties:

	Year ended 31 December		
	2006	2005	2004
	€'000		
Income (expenses):			
Construction supervisory fees	—	—	(577)
Interest income	625	408	154

c. Compensation of key management personnel:

Short-term employee benefits	(78)	(72)	(74)
Sale of investments, see Note 22.			

NOTE 22:—JOINTLY CONTROLLED ENTITIES

The Group has an interest in jointly controlled entities (see Note 2d) 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:

	31 December		
	2006	2005	2004
	€'000		
Non-current assets	182,738	167,013	174,037
Current assets	11,729	9,086	10,358
	194,467	176,099	184,395
Non-current liabilities	(176,708)	(180,293)	(185,106)
Current liabilities	(20,282)	(11,844)	(16,481)
	(2,523)	(16,038)	(17,192)

	Year ended 31 December		
	2006	2005	2004
	€'000		
Revenues	39,237	32,423	24,779
Cost of revenue	(20,547)	(18,411)	(12,400)
Gross profit	18,690	14,012	12,379
Depreciation	(4,950)	(3,740)	(2,650)
Other operating expenses	(8,639)	(4,679)	(3,130)
Profit from operations	5,101	5,593	6,599
Financial expenses	(13,033)	(10,447)	(6,659)
Loss before income taxes	(7,932)	(4,854)	(60)
Income taxes	291	191	89
Loss for the year	(8,223)	(5,045)	(149)

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 23:—FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdraft 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 24).

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, foreign currency risk and credit risk. The board reviews and agrees on policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in Note 2.

Cash flow 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 a mix of fixed and variable rate debts. During the last year the Group increased its fixed variable rate debts in order to decrease the interest rate risk and intend to keep it around the 90% for the following years. To manage this mix in a cost efficient manner, 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 90% (2005—45% and 2004—54%) of the Group's borrowings are at a fixed rate of interest.

Foreign currency risk

As a result of significant investment operations in the United Kingdom, the Group's balance sheet can be affected significantly by movements in the GBP/euro exchange rates. The Group did not seek to mitigate the effect of its structural currency exposure by borrowing in GBP. As at 31 December 2006, 77% (2005—63% and 2004—69%) 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, 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 long-term bank facilities to finance its construction operation and then to convert it into long-term borrowings.

Commodity price risk

The Group's exposure to price risk is minimal.

EURO SEA HOTELS N.V.
NOTES TO COMBINED FINANCIAL INFORMATION (Continued)

NOTE 24:—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, 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. Accordingly, changes in the rates of the Libor affect the cash flows and interest expenses of the Group.
2. In July 2003, a subsidiary of the Company entered into a hedge transaction with Royal Bank of Scotland. According to the hedge agreement, the subsidiary swapped the floating interest rate of three months LIBOR on a loan in the amount of GBP 14.1 million (€21 million) (partial cover), received from Bank of Scotland, with a fixed interest rate of 5.85% for a period of 10 years effective from July 2003 and maturing July 2013.

The hedge transaction 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, if any. As of 31 December 2006 the fair value amounted to an asset of €0.4 million (31 December 2005—€1.2 million, 31 December 2004—€1.1 million).

3. In October 2004, three subsidiaries of the Company entered into a hedge transaction with Merrill Lynch. According to the hedge 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, with a fixed interest rate of 3.41% for a period of 5 years effective from October 2003 and maturing October 2008.

The hedge transaction 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 2006, the fair value amounted to an asset of €0.6 million (31 December 2005—liability of €0.6 million, 31 December 2004—liability of €0.7 million).

4. In June 2003, a former subsidiary of the Company (sold in December 2005—see Note 4) entered into a hedge transaction with Bank of Scotland. According to the hedge agreement, the subsidiary swapped the floating interest rate of three months LIBOR on a loan in the amount of GBP 17.5 million (€24.1 million), received from Bank of Scotland, with a fixed interest rate of 5.8% for a period of 25 years effective from June 2003 and maturing 2027.

The hedge transaction 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 2004, the fair value amounted to an asset of €0.2 million.

5. In March 2006, three jointly controlled companies of the Company entered into a hedge transaction according to the hedge agreement the JC swapped the variable interest rate of three months LIBOR +3% on a loan in the amount of €130.8 million received from Goldman Sachs International with fixed interest rate of 7.7215% for period until 2011.

The fair value of the swap as of 31 December 2006 is estimated at €3.7 million.

6. As of 31 December 2006, Group companies have bank facilities which amount up to GBP 1 million.

NOTE 25:—EVENT AFTER THE BALANCE SHEET DATE

During June 2007 the Company sold its share in Andrassy ut 25 Kft. and recorded a gain of €9.3 million.

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PART C
PARK PLAZA HOTELS LIMITED
CONSOLIDATED FINANCIAL INFORMATION



■ **Kost Forer Gabbay & Kasierer**
3 Aminadav St.
Tel-Aviv 67067, Israel

■ Phone: 972-3-6232525
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The Directors
Park Plaza Hotels Limited
22 Smith Street
St. Peter Port
Guernsey
GY1 4AE

12 July 2007

Dear Sirs,

Park Plaza Hotels Limited

We report on the financial information of Park Plaza Hotels Limited (the “Company”) for the period from 14 June 2007 (incorporation) to 18 June 2007 (the “financial information”) set out in Part IX of the AIM admission document dated 12 July 2007. This financial information has been prepared for inclusion in the AIM admission document, dated 12 July 2007 of Park Plaza Hotels Limited on the basis of the accounting policies set out in Note 2 to the financial information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules to any person and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the AIM admission document.

Responsibilities

The Directors of Park Plaza Hotels Limited are responsible for preparing the financial information on the basis of preparation set out in Note 2 to the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the AIM admission document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work had not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document, a true and fair view of the state of affairs of Park Plaza Hotels Limited as at the date stated and of its cash flows and changes in equity for the period then ended in accordance with the basis of preparation as described in Note 2.

Declaration

For the purposes of Paragraph (a) of Schedule two of the AIM Rules, we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its importance. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully,

Kost Forer Gabbay & Kasierer
A member of Ernst & Young Global

PARK PLAZA HOTELS LIMITED
BALANCE SHEET

	<u>Note</u>	<u>18 June 2007</u> €'000
ASSETS		
Cash at bank		—
Total assets		— ==
EQUITY		
Share capital	(4)	—
Total equity		— ==

The accompanying notes are an integral part of the financial information.

PARK PLAZA HOTELS LIMITED
STATEMENT OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total equity</u>
	<u>€'000</u>	<u>€'000</u>	<u>€'000</u>
At incorporation on 14 June 2007	—	—	—
Issue of share capital	—	—	—
At 18 June 2007	<u>—</u>	<u>—</u>	<u>—</u>

The accompanying notes are an integral part of the financial information.

PARK PLAZA HOTELS LIMITED
CASH FLOW STATEMENT

	For the period from incorporation on 14 June 2007 to 18 June 2007
	€'000
Loss or net income for the period	—
Cash flow from operations	—
Financing activities	
Issue of share capital	—
Cash flows from financing activities	—
Net increase in cash	—
Cash at incorporation	—
Cash at 18 June 2007	<u>—</u>

The accompanying notes are an integral part of the financial information.

PARK PLAZA HOTELS LIMITED
NOTES TO THE FINANCIAL INFORMATION

1. General

Park Plaza Hotels Limited (the “Company”) was incorporated and registered in Guernsey on 14 June 2007.

The Company was established as a holding company that will issue Shares to the shareholders of Euro Sea Group and Park Plaza Group in consideration for their interests in Euro Sea Group and Park Plaza Group.

The Company through its subsidiaries intends to own, operate and manage hotels in Europe, Middle East and Africa under two primary brands: Park Plaza and art’otel.

The financial statements of the Company were approved for issuance by the Board of Directors on 26 June 2007.

2. Basis of preparation

The financial information has been prepared as at the date of incorporation, 14 June 2007, in accordance with International Financial Reporting Standards and is presented in Euros.

An income statement has not been prepared as there were no revenues or expenses on the date of incorporation.

The Group intends to prepare its annual financial statements for periods ending 31 December, with the first such financial statements being for the period from incorporation to 31 December 2007.

3. Taxation

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. The exemption must be reapplied for annually. Foreign subsidiaries are subject to income taxes in their country of domicile in respect of their income.

4. Share Capital

- (a) The authorised share capital of the Company is represented by an unlimited number of shares with nil par value.

	At 14 June 2007 €’000
Issued and nil par value—2 ordinary shares	—

- (b) Redemption

The Shares do not carry a right to redemption by shareholders.

5. Post balance sheet events

Concurrent with the Placing and Admission to trading on AIM, the following transactions are to be consummated:

a. Issuance of shares

The Company is planning to offer 15,450,000 Shares and seek admission to AIM, a market operated by the London Stock Exchange.

PARK PLAZA HOTELS LIMITED
NOTES TO THE FINANCIAL INFORMATION (Continued)

5. Post balance sheet events (Continued)

b. Merger of Euro Sea Group and acquisition of Park Plaza Group

(1) Merger of the Euro Sea Group

The Euro Sea Group represents a group of companies under common control of the controlling shareholder of the Company. These companies are principally engaged in the development, construction, management and operation of hotels in Europe. See Note 6 for a list of the companies to be included in the merger.

The Euro Sea Group will be merged into the Company in consideration for the issuance of Shares to the controlling shareholder. As the merger will not be a business combination within the scope of International Financial Reporting Standard 3, the Company will account for the merger in a manner similar to a pooling of interests. Accordingly, the net assets of Euro Sea Group that will be merged into the Company will be recorded at their book value in the accounts of Euro Sea Group.

Prior to the merger Euro Sea Group is going to sell some of its subsidiaries and to distribute dividend of approximately €23.5 million to its previous shareholders.

(2) Acquisition of Park Plaza Group by Euro Sea

This transaction relates to the acquisition at fair value of those entities referred to as the Park Plaza Group being Park Plaza Holdings B.V., ParkVondel B.V., Golden Wall B.V. and the minority share holdings in Riverbank B.V. (10%), Grandis B.V. (10%) and Victoria B.V. (5%). These entities are principally engaged in holding hotels and providing management services and franchises, for hotels in Europe, the Middle East and Africa. See Note 7 for a schedule of the companies to be included in the acquisition.

The estimated total consideration for the acquisition is €60.9 million to be settled by issuance of 30% of the Shares. This acquisition is to be accounted for under the purchase method and the Company is required to perform an exercise to assess the fair value of the assets acquired and liabilities assumed and allocate the consideration accordingly. The excess of the fair value of the assets acquired and liabilities assumed over the total consideration will be recognised immediately as a gain.

(3) Acquisition of art'otel Rights

This transaction relates to the acquisition of the worldwide rights to use the art'otel brand name for an unlimited period of time. The consideration is to be settled by issuance of such number of Shares which at a price equivalent to the Placing price per Share is equal to €4 million.

(4) Share option plan

It is the intention of the Board to adopt prior to Admission a "Share Option Plan", under which options may be granted over Shares to employees and directors of the Company, its subsidiaries and jointly owned companies. The principal terms of the proposed draft Share Option Plan are as follows:

- (a) Options granted in the six weeks following adoption of the Share Option Plan shall have an exercise price per Share of the Placing Price. For options which are not granted in the six weeks following adoption of the Share Option Plan, the exercise price per Share will not be less than the closing market price of a Share on the day preceding the date of grant.
- (b) At any time, the total number of Shares issued and/or remaining issuable (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 in the six weeks following adoption of the Share Option Plan are disregarded.

PARK PLAZA HOTELS LIMITED
NOTES TO THE FINANCIAL INFORMATION (Continued)

5. Post balance sheet events (Continued)

- (c) Options granted under the Share Option Plan will generally become exercisable either three years after the date of grant or after such other period as the Company's Remuneration Committee may specify on the relevant option certificate. Unexercised options lapse 10 years after date of grant.

6. Schedule of Companies to be merged and acquired

	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Direct and indirect holdings %</u>
Euro Sea Group:			
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
Victoria 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	U.K.	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	U.K.	45
Victoria Pub Holdings B.V.	Hotel operation	The Netherlands	45
Sherlock Holmes Park Plaza Ltd.	Management	U.K.	45
Grandis Netherlands Holding B.V.	Management	The Netherlands	45
Marlbray Limited	Hotel operation	U.K.	33.3

PARK PLAZA HOTELS LIMITED
NOTES TO THE FINANCIAL INFORMATION (Continued)

6. Schedule of Companies to be merged and acquired (Continued)

	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Direct and indirect holdings %</u>
Park Plaza Group:			
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 Szállodaüzemelteto Kft	Hotel operation	Hungary	100
Park Vondel Hotel Holdings B.V.	Hotel operation	The Netherlands	100
ParkVondel Hotel Real Estate B.V.	Holding company	The Netherlands	100
ParkVondel Hotel Management B.V.	Holding company	The Netherlands	100
Golden Wall Investments Limited	Finance company	BVI	100
Riverbank Hotel Operator Ltd.	Hotel operation	U.K.	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	U.K.	5
Victoria Pub Holdings B.V.	Hotel operation	The Netherlands	5
Sherlock Holmes Park Plaza Ltd.	Management	U.K.	10
Grandis Netherlands Holding B.V.	Management	The Netherlands	10

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PART X
VALUATION REPORT ON THE PROPERTIES



Park Plaza Hotels Europe B.V. ("PPHE B.V.")
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1012 MB Amsterdam
Netherlands

Euro Sea Hotels N.V. ("Euro Sea Hotels")
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Netherlands

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London W1K 3HQ
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savills.com

5 June 2007

PARK PLAZA HOTELS LIMITED
VALUATION OF FREEHOLD AND LEASEHOLD ASSETS

1. Instructions

- 1.1 In accordance with the instructions from PPHE B.V. and Euro Sea Hotels, confirmed by us in writing on 14th May 2007, we have inspected the 9 properties, held by the newly formed company Park Plaza Hotels Limited (the "Company"), and described below (the "Properties"). We have made all relevant enquiries in order to provide our opinion of the Market Value (as defined below) of each Property, as at 5th June 2007 (the "Valuation Date"), of the freehold, and leasehold interests, as fully fitted, equipped and operational entities having regard to trading potential and subject to Management Contracts (as defined below), on the terms defined herein (the "Valuations").
- 1.2 This valuation report ("Valuation Report") has been delivered for the purpose of inclusion in an admission document (the "Admission Document") prepared by the Company in connection with the proposed placing of ordinary shares in the capital of the Company and the proposed application for admission ("Admission") of the entire issued share capital of the Company, issued and to be issued, to trading on AIM, a market operated by London Stock Exchange plc.

2. The Properties

- 2.1 The 9 Properties that we have valued are briefly described in this Valuation Report at paragraph 8. Each Property has been valued individually and not as part of a portfolio.

3. Basis of Valuation

- 3.1 Our valuations have been carried out in accordance with The Royal Institution of Chartered Surveyors' ("RICS") Appraisal and Valuation Standards (5th Edition), as subsequently amended (the "Standards"). They have been undertaken by Independent Valuers, as defined in the Standards.

- 3.2 In accordance with the Standards, our valuations have been prepared on the basis of Market Value, which is defined in the Standards, as follows:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

4. Valuations

- 4.1 On the basis outlined in this Valuation Report, we are of the opinion that the aggregate Market Value of the respective freehold and long leasehold interests in each Property, as fully fitted, equipped and operational entities having regard to trading potential and subject to Management Contract on the terms defined herein, as at the Valuation Date, is as stated below.
- 4.2 The aggregate of the individual Market Values as at the Valuation Date is **€690,451,471 (Six Hundred and Ninety Million, Four Hundred and Fifty One Thousand, Four Hundred and Seventy One Euros)***.
- 4.3 Our valuations are exclusive of any VAT.
- 4.4 The valuations are set out as follows:

Hotel	Tenure	Use	Market Value £	Market Value €
LONDON PROPERTIES				
Sherlock Holmes Park Plaza ⁽¹⁾	Leasehold	119 Bedrooms	£16,700,000	*€24,558,824
Victoria Park Plaza, London ⁽¹⁾	Freehold	299 Bedrooms	£80,000,000	*€117,647,059
Victoria Retail Unit, London	Leasehold	Retail	£2,175,000	*€3,198,529
Riverbank Park Plaza & Plaza on the River ⁽¹⁾	Leasehold	462 Bedrooms	£148,000,000	*€217,647,059
1 Westminster Bridge	Freehold	953 Bedrooms	£85,000,000	*€125,000,000
Sub Total			£331,875,000	*€488,051,471
EUROPEAN PROPERTIES				
Mandarin Park Plaza, Eindhoven ⁽¹⁾	Freehold	102 Bedrooms	*£10,404,000	€15,300,000
Utrecht Park Plaza ⁽¹⁾	Leasehold	120 Bedrooms	*£15,640,000	€23,000,000
Vondel Park Plaza, Amsterdam ⁽¹⁾	Freehold	139 Bedrooms	*£20,468,000	€30,100,000
Victoria Park Plaza, Amsterdam ⁽²⁾	Freehold	406 Bedrooms	*£91,120,000	€134,000,000
Sub Total			*£137,632,000	€202,400,000
Aggregate of Values			*£469,507,000	*€690,451,471

Notes:

* Based upon an exchange rate of 0.68 Euros to the Pound.

(1) Current trading hotels.

(2) Includes current trading hotel plus 100 room non-trading Kadaster building.

5. Transaction Costs

- 5.1 No allowance has been made for any expenses of realisation nor for taxation which might arise in the event of a disposal of any of the Properties such as Capital Gains Tax or Value Added Tax or any other tax liability. We have, however, taken account of purchasers acquisition costs for investment valuations. These vary with location but are typically between 5% and 6% of the value. For example, in the United Kingdom these would amount to 5.75%, comprising 4.0% Stamp Duty Land Tax, 1.0% agents’ acquisition fees and 0.5% legal fees, together with VAT of 17.5% on professional fees.

6. Valuations made on Special Assumptions

6.1 There are circumstances in which it may be appropriate to make additional/different assumptions, these are known as special assumptions (“Special Assumptions”).

6.2 Section 1.2 of Appendix 2.3 to Chapter 2 of the Standards states that:

“Examples of the circumstances under which it may be appropriate to make Special Assumptions include:

- a situation where a bid from a special purchaser has been made or can be reasonably anticipated;
- a situation where circumstances mean that the interest that is being valued cannot be offered freely and openly in the market;
- a past change in the physical circumstances of the property where the valuer has to assume those changes have not taken place;
- an impending change in the physical circumstances of the property, for example, a new building constructed or an existing building refurbished or demolished;
- an anticipated change in the mode of occupation or trade at the property.”

6.3 Section 1.3 of Appendix 2.3 to Chapter 2 of the Standards states that:

“Some examples of Special Assumptions are that:

- planning consent has been, or will be, granted for development (including a change of use) at the property;
- a building or other proposed development has been completed in accordance with a defined plan and specification;
- the property has been changed in a defined way (for example, removal of process equipment);
- the property is vacant when, in reality, at the valuation date it is occupied;
- it is let on defined terms when in reality at the valuation date it is vacant;
- the exchange takes place between parties where one or more has a special interest and that additional value, or “marriage value”, is created as a result of the merger of the interests.”

6.4 Section 4.1 of Appendix 2.3 to Chapter 2 of the Standards states that:

“In the case of a trading property, the Special Assumptions may include that:

- accounts or records of trade would not be available to, or relied upon, by a prospective purchaser;
- the business is open for trade when it is not;
- the business is closed when it is actually trading from the property;
- the inventory has been removed, or is assumed to be in place when it is not;
- the licences, consents, certificates, and/or permits required in order to trade from the property are lost or are in jeopardy;
- the business will continue to trade on its present terms, including any ties to the landlord for supply of liquor, gaming machines or other goods and services;
- the valuation reflects the least cost to replace all elements of the service potential of the property to the owner of the interest being valued, which may include the margin gained from tied wholesale supplies of goods or from the supply of services.”

6.5 The adoption of some of these Special Assumptions may qualify the application of the definition of Market Value. They are often particularly appropriate where the Client is a lender, where special assumptions are used to illustrate the potential effect of changed circumstances on the value of a property as a security.

- 6.6 We have valued the current trading hotels (the “Hotels”) as fully equipped operational entities with no restrictions on marketing period, availability of trading information or otherwise.
- 7. Assumptions and Sources of Information**
- 7.1 Tenure and Tenancies
- 5 of the 9 Properties are held freehold, and the other 4 properties are held long leasehold.
- We have been provided with reports on title for each of the properties by Norton Rose in respect of the Properties located in the UK and Bird & Bird in respect of the Properties located in the Netherlands (together the “Reports on Title”). We confirm that all matters have been taken into account in preparing our valuations.
- All restrictions on title, encumbrances, covenants and other matters have been considered in the context of the vacant possession value where the impact of restrictions may take on greater significance. If there is a material impact on the vacant possession value, then this could in turn affect the investment value.
- 7.2 Management Contracts
- The Hotels are subject to management contracts, which are either for 15 or 20 year terms and with options to extend for either 5 or 10 additional years (together the “Management Contracts”). The Management Contracts will remain in place upon Admission.
- The Management Contracts are on virtually identical terms for each Hotel. The group of companies owned or partly owned by the Company (the “Group”) will receive the net operating profit after fees of the Hotels with no minimum guarantees offered from PPHE B.V..
- The fees are 3% of rooms revenue and up to 10% of gross operating profit (“GOP”). In our Valuations we have followed the industry convention, using the principles set out in the Uniform System of Accounting of the American Hotel and Motel Association.
- The Group will provide for all maintenance, repairs and outgoings at the Properties, with the Group responsible for the associated costs. The Properties, including all fixtures and fittings, will be owned by the Group. In addition, the Group will be the employer of all staff employed at the Properties.
- 7.3 Fixtures Fittings and Equipment
- The hotels that are trading have been valued inclusive of all fixtures fittings and equipment necessary to continue trading. They are assumed to be free of all leasing or hire purchase agreements.
- 7.4 Accommodation and Measurement
- We have not undertaken full measured surveys of the Properties in accordance with the fifth edition of the Code of Measuring Practice issued by the RICS. Information regarding number of bedrooms and facilities for each Hotel has been provided by PPHE B.V. and Euro Sea Hotels.
- 7.5 Trading Information
- We have been provided with management accounts for each Hotel for the periods 2003 to 2006 together with forecasts for 2007. In addition we have had the opportunity to interview senior staff including the Hotel general managers with a view to discussing and understanding the operational performance of the Hotels in detail.
- 7.6 Building Structure
- This Valuation Report is not a structural survey and we therefore provide our Valuations on the assumption that the Properties are of sound design and construction, and free from inherent defects. We have not inspected any covered or inaccessible areas, nor was any detailed inspection carried out of woodwork or structural members. We did not carry out any investigation to determine whether or not high alumina cement, calcium chloride additives, asbestos or other potentially deleterious or hazardous materials have been used in the construction of the Properties or have since been incorporated in the Properties.

7.7 Services, Plant and Equipment

No detailed inspection or tests have been carried out by us on any of the services or items of equipment at the Properties, therefore no warranty can be given with regard to their serviceability, efficiency, safety or adequacy for their purpose.

7.8 Environmental Investigations

We were not instructed to undertake an environmental audit and therefore are unable to warrant that the Properties will not be adversely affected by the provisions and implementation of the Environmental Protection Act 1990, the Environment Act 1995 or any legislation or regulation applicable in The Netherlands. We have not investigated whether the sites are or have in the past been contaminated and we are therefore unable to warrant that the Properties are free from any defect or risk in this respect. This Valuation Report is therefore based on the assumption that the land at each property is not contaminated and any specialist investigation would not disclose the presence of any adverse conditions on the Property sites or within the buildings. We have been provided with a number of environmental reports and desktop surveys which we have reviewed. There is nothing that has been drawn to our attention within any of these documents provided to us that would cause us to alter any of our reported opinions of Market Value.

7.9 Town Planning and Statutory Enquiries

We have made informal enquiries of the relevant statutory authorities, and have relied upon further information contained in the Reports on Title in respect of planning and other matters.

The Properties constituting the extension to the Victoria Park Plaza Hotel, Amsterdam and 1 Westminster Bridge, London have each been valued on the assumption that all necessary planning permissions and consents have been received.

7.10 Mortgages etc.

No account has been taken of any mortgages, debentures or other security, which may now or in the future exist over any of the Properties.

8. The Properties

8.1 The 4 Properties located in London comprise 3 trading 4 star deluxe standard hotels and a set of 5 star standard serviced suites, adjoining the Riverbank Park Plaza Hotel. 3 of the Properties are situated in good central London locations, respectively near Victoria Station, on Baker Street and on the south bank of the River Thames, close to Waterloo Station. 1 Westminster Bridge comprises a development scheme for a 953 bedroom hotel directly opposite the Houses of Parliament on the south side of the River Thames.

8.2 The Riverbank Park Plaza Hotel and adjoining suites had fully opened by October 2005 and the Victoria Park Plaza Hotel, London opened in September 2001, and have been developed to a high standard. All the Properties located in London offer high quality overnight accommodation with ancillary services including bar, restaurant, fitness suite and conference facilities, expected for a 4 star hotel product.

8.3 The Victoria Park Plaza Retail Unit, London comprises three contiguous retail units let as a single investment adjoining the Victoria Park Plaza Hotel, London. They have been let from 2007 on a single new 10 year lease to Chesterton Global Limited at an annual rent of £150,000 with a rent review in 5 years' time.

8.4 The valuation of the Victoria Park Plaza Hotel, Amsterdam includes the Kadaster Building, an extension of 100 rooms and retail use. The Market Value of the existing Victoria Park Plaza Hotel, Amsterdam excluding the Kadaster Building is €103,000,000 (One Hundred and Three Million Euros).

8.5 The Properties located in The Netherlands comprise 3 trading centrally located 4 star hotels, being Victoria Park Plaza Hotel, Amsterdam, Utrecht Park Plaza Hotel and Mandarin Park Plaza Hotel Eindhoven. The Vondel Park Plaza, Amsterdam is a little less central and currently trading at 3 star standard but will be 4 star standard upon completion of the refurbishment.

9. Approach to Valuation

- 9.1 We have considered our Valuations subject to the Management Contracts with PPHE B.V.. We are of the opinion that should the hotels be marketed for sale, the bids offered by investors and hotel operators will be similar, as each must consider the other in the process.
- 9.2 The Hotels are currently subject to Management Contracts with the investor receiving the net hotel income after fees at 3% of room revenue and up to 10% of GOP.
- 9.3 In order to arrive at our Valuations we have undertaken a discounted cash flow method for the projected net earnings for the 7 trading properties discounted back to present day values using an appropriate discount rate. The cash flows have been taken over a 10 year period with the discount rate adopted reflecting investor's target rate of return. A different approach has been adopted for 1 Westminster Bridge and the Victoria Retail Unit, London.
- 9.4 1 Westminster Bridge is a development project that is currently underway. The hotel is not yet open. Accordingly, the valuation has been based on a development appraisal taking into account the anticipated total development value and then deducting the construction costs, fees, finance and making an allowance for profit.
- 9.5 The Victoria Retail Unit, London has been valued on a conventional investment basis with the net income capitalized and a deduction made for the purchaser's costs.

10. Saleability

- 10.1 The saleability of each of the Properties is positive as the majority of the Hotels are new build, in good locations and subject to a Management Contract to an international operator.

11. Exclusions

- 11.1 Whilst our Valuations include the normal items of trade fixtures, fittings, furniture and furnishings necessary for the continuance of the business, it excludes consumable stocks.
- 11.2 We have excluded from our consideration any special purchaser who, due to special interest or circumstances, may wish to purchase the Property or the business of the relevant Hotel.
- 11.3 Whilst we have had regard to the general effects of taxation on Market Value, we have not taken into account any liability for tax which may arise on a disposal, whether actual or notional, and neither have we made any deduction for Capital Gains Tax, Value Added Tax or any other tax liability.
- 11.4 The Market Values in this Valuation Report are exclusive of VAT. We have not undertaken any enquiries to ascertain whether or not a sale of any Property would attract VAT.
- 11.5 This Valuation Report is based on the technical, legal and financial information provided to us and we have relied on this information in formulating our Valuations.

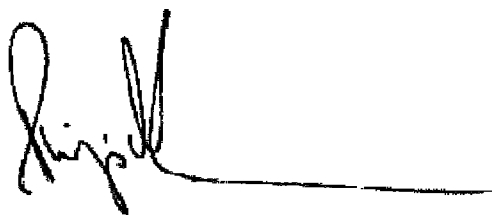
12. Responsibility

- 12.1 This Valuation Report is provided for the purpose of inclusion in the Admission Document and may be referred to in announcements connected thereto. The basis of valuation might be inappropriate for other purposes and may not be otherwise used without our prior written consent.
- 12.2 Neither the whole nor any part of this Valuation Report nor any reference thereto may be included in any other published document, circular or statement, nor published in any way without our written approval of the form and context in which it is to appear.

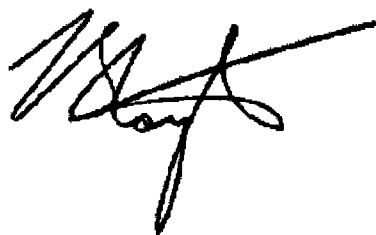
12.3 We confirm that we have given and have not withdrawn our consent to the inclusion of this Valuation Report in the Admission Document and the references thereto and to our name in the form and context in which they are included in the Admission Document.

Yours faithfully

For and on behalf of Savills Commercial Limited

A handwritten signature in black ink, appearing to read 'Philip Johnston', followed by a long horizontal line.

PHILIP JOHNSTON BSc (Hons) MRICS
Director—Hotels
Savills Commercial Limited

A handwritten signature in black ink, appearing to read 'Tim Stoyale', followed by a long horizontal line.

TIM STOYLE BSc MRICS
Director—Hotels
Savills Commercial Limited

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PART XI
ADDITIONAL INFORMATION

1. Responsibility statements

- 1.1 The Directors, whose names and functions appear on page 2 of this document, and the Company, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Savills, the registered office of which appears on page 2 of this document, accepts responsibility for the information contained in Part X of this document. To the best of the knowledge of Savills (which has taken all reasonable care to ensure that such is the case) the information contained in Part X of this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company was incorporated and registered in Guernsey on 14 June 2007 under the Companies Law with registration number 47131 as a company limited by shares with the name Park Plaza Hotels Limited.
- 2.2 The registered and head office of the Company is at 22 Smith Street, St. Peter Port, Guernsey GY1 2JQ and its telephone number is +44 (0)1481 737237.
- 2.3 The principal legislation under which the Company operates is the Companies Law and the regulations made thereunder. The Company is domiciled in Guernsey.
- 2.4 The liability of the members of the Company is limited.
- 2.5 The accounting reference date of the Company is 31 December.
- 2.6 The Directors confirm that, save for its entry into those material contracts to which it is a party as described in section 10 of this Part XI headed “Material contracts” and the related party transactions described in section 12 of this Part XI headed “Related-party transactions”, the Company has not commenced operations since the date of its incorporation, no statutory financial statements have been prepared as at the date of this document and no dividends have been declared since its incorporation.
- 2.7 Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, has been the only auditor of the Company since its incorporation. The annual report and accounts of the Company will be prepared according to IFRS.
- 2.8 As at 31 May 2007, the companies which, following Admission, will comprise the Group had 1,373 employees.

3. Description of share capital

- 3.1 The Company was incorporated with a share capital consisting of an unlimited number of Shares of nil par value. The two subscriber Shares were subscribed by CO 1 Limited and CO 2 Limited, which each subscribed one Share for nil consideration. On 15 June 2007, the subscriber Shares were transferred to C.L. Nominees Limited and Scholar Nominees Limited, respectively. Following Admission, the subscriber Shares will be transferred to Euro Plaza and Molteno and form part of the existing Shares.
- 3.2 Since the date of its incorporation no share or loan capital of the Company has been issued or agreed to be issued, or, save pursuant to the Reorganisation Umbrella Agreement, the art’otel Acquisition Agreement or the Placing, is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital.
- 3.3 The Placing Shares have been allotted pursuant to a resolution of the Board passed on 11 July 2007 conditional upon Admission.

- 3.4 Immediately following Admission, the issued share capital of the Company will, assuming no exercise of the Over-allotment Option, be:

	<u>Number issued (and fully paid)</u>
Shares	40,942,292

- 3.5 The Shares will be in registered form and will be capable of being held in certificated form or in uncertificated form through the book-entry system operated by CREST. Temporary documents of title will not be issued. When admitted to trading, the Shares will be registered with ISIN GG00B1Z5FH87.
- 3.6 The Articles permit the Directors to exercise all powers of the Company to allot Shares. The Directors do not currently intend to allot further Shares pursuant to such authorities save in connection with the Reorganisation Umbrella Agreement, the art'otel Acquisition Agreement and the Placing and such allotments are restricted by the Placing Agreement. In order to grow and further diversify its business as opportunities arise, the Company may require additional capital. In this connection therefore the Directors may exercise these powers in order that the Company may raise additional capital subject to the rights of pre-emption in the Company's Articles described in paragraph 5.6 of this Part XI headed "Memorandum and Articles—Pre-emption rights".
- 3.7 A written resolution of Shareholders was duly passed on 6 July 2007 resolving that, subject to the adoption of the Articles, the Directors are empowered to allot 2,122,079 Shares in addition to the Placing Shares for cash, representing 5.2% of the Enlarged Share Capital assuming no exercise of the Over-allotment Option as if the pre-emption rights contained in the Articles did not apply to such allotment.
- 3.8 A written resolution of the Shareholders was duly passed on 6 July 2007 resolving that the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 5 of the Companies (Purchase of Own Shares) Ordinance 1998 (the "Ordinance")) provided that:
- 3.8.1 the maximum number of Shares authorised to be acquired is 6,366,236 (representing 15.5% of the Enlarged Share Capital assuming no exercise of the Over-allotment Option);
- 3.8.2 the minimum price that may be paid for each Share is €0.01;
- 3.8.3 the maximum price that may be paid for each Share is an amount equal to 105% of the average of the middle market quotations for an Share as derived from AIM for the five business days immediately preceding the day on which the Share is contracted to be purchased;
- 3.8.4 the authority conferred shall expire at the conclusion of the next annual general meeting of the Company, unless such authority is renewed prior to such time; and
- 3.8.5 the Company may make a contract to acquire its Shares under the authority conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority, and may purchase its Shares in pursuance of any such contract.
- 3.9 The Placing Shares and the Shares to be issued pursuant to the Reorganisation Umbrella Agreement and the art'otel Acquisition Agreement will rank *pari passu* in all respects with the existing Shares including (without limitation to the generality of the foregoing) in relation to voting rights and the right to receive all dividends or other distributions declared, paid or made after Admission.
- 3.10 There has been no public takeover bid by a third party for all or any part of the Company's equity share capital since incorporation of the Company for the period up to and including the date immediately prior to the date of this document.
- 3.11 By a special resolution passed on 6 July 2007 it was resolved that, conditional on Admission and the approval of the court in Guernsey, the amount standing to the credit of the share premium account of the Company following Admission be cancelled and the amount of the share premium account so cancelled be credited as a distributable reserve to be established in the books of account of the Company which shall be able to be applied in any manner in which the Company's profits available for distribution (as determined in accordance with the Companies Law) are able to be applied,

including the purchase of the Company's own Shares and payment of dividends. In deciding whether to give its confirmation, the court will be concerned to protect the interests of any creditors of the Company as of the date the reduction takes effect. The court will require all such creditors to have been paid or for provision to have been made for payment or to have consented to the reduction. Until the court has confirmed the reduction of the share premium account (and the terms of any undertaking regarding creditors required by the court have been complied with), the Company will only be able to distribute dividends out of existing distributable profits and, to the extent permitted by the Companies (Purchase of own Shares) Ordinance 1998, to repurchase Shares out of existing distributable profits or the proceeds of a further issue of Shares.

4. The Park Plaza Hotels Limited Executive Share Option Plan

4.1 Introduction

The Company has established an executive share option plan (the "Share Option Plan") under which options are to be granted over Shares. The Share Option Plan was adopted by the Board on 11 July 2007 and does not qualify for approval by HM Revenue & Customs. The following is a summary of the principal terms of the Share Option Plan:

4.2 Administration

The Share Option Plan is administered by the Remuneration Committee.

4.3 Eligibility

Any employee (including an executive director) of the Group (including, for these purposes, joint venture companies) is eligible to participate, on the recommendation of the Remuneration Committee at its discretion, in the Share Option Plan.

4.4 Grant of options

No payment is required for the grant of an option.

Options may be granted in the six week periods following:

- (a) the adoption of the Share Option Plan;
- (b) the date on which any amendment to the Share Option Plan becomes effective; and
- (c) an announcement by the Company of its results for any period, or the issue by the Company of a prospectus or similar document.

Options may also be granted, in exceptional circumstances, outside these periods.

No options may be granted under the Share Option Plan after the tenth anniversary of its adoption.

No options have been granted under the Share Option Plan as at the date of this document. The Company, on the recommendation of the Remuneration Committee, intends to grant options over a number of Shares equal to up to 2% of the Enlarged Share Capital with an exercise price equal to the Placing Price within the six week period following adoption of the Share Option Plan. It is anticipated that approximately 50% of these grants will be made to the executive Directors and the Chairman and the balance to the senior management, but no final decision as to the amount or the recipients of these grants has been taken.

4.5 Exercise price

Options granted during the six week period following adoption of the Share Option Plan will have an exercise price per Share equal to the Placing Price.

The exercise price per Share for other options granted under the Share Option Plan will not be less than the closing price of a Share on the dealing day immediately preceding the date of grant (as published in the Financial Times on the date of grant).

4.6 Plan limit

The Company intends to issue new Shares to satisfy options but options may be satisfied by the transfer of existing Shares. At any time, the total number of Shares which have been issued or are issuable under options granted under the Share Option Plan or under any other employee share scheme which the Company may establish in the future may not exceed that number of Shares which is equal to 5% of the Company's issued share capital at that time.

For the purposes of the above limit, options granted during the six week period following adoption of the Share Option Plan, options granted more than 10 years previously and options which have lapsed are to be disregarded.

4.7 Individual limit

During any financial year of the Company, options may not be granted to any individual over Shares with a value (measured at the date of grant) of more than 500% of his basic salary.

4.8 Exercise of options

Options granted under the Share Option Plan may generally become exercisable on either the third anniversary of their date of grant or in accordance with the vesting schedule specified on their date of grant.

Within the six week period following adoption of the Share Option Plan, the Company intends to grant (i) options which will become exercisable on the third anniversary of the date of grant and (ii) options which will become exercisable in respect of a third of the Shares under option on the first anniversary of the date of grant of the options, in respect of a further third of the Shares under option on the second anniversary of the date of grant and in respect of the remaining Shares under option on the third anniversary of the date of grant.

No option may be exercised more than 10 years after its date of grant.

When options granted under the Share Option Plan are exercised, the optionholder's employing company will withhold, where necessary, the relevant amount in order to account for any income tax and employees' social security contributions due on the option gain. Optionholders will be required to authorise the sale of sufficient Shares to meet this liability. Optionholders may also be required to meet any employers' social security contributions arising on the exercise of options.

4.9 Leavers

Earlier exercise of options is permitted if an optionholder dies. In these circumstances, the deceased optionholder's options may be exercised in full.

If an optionholder ceases to be employed by the Group for any reason other than his resignation or his dismissal on the grounds of gross misconduct, options may be exercised to the extent determined by the Remuneration Committee in its absolute discretion.

If the optionholder resigns from his employment or is dismissed on the grounds of gross misconduct, his option shall lapse.

4.10 Change of control

The rules of the Share Option Plan allow early exercise in the event of takeover, reconstruction or winding-up of the Company. In these circumstances, options may be exercised in full for a short period thereafter.

4.11 Variation of share capital

In the event of a rights or capitalisation issue or any sub-division, consolidation, reduction or other variation of the Company's share capital, the exercise price of an option and the number of Shares subject to an option may be adjusted in such manner as the Remuneration Committee determines is appropriate.

4.12 Voting, dividend and other rights

Optionholders will have no voting or dividend rights in respect of the Shares under option until options are exercised.

Shares allotted under the Share Option Plan will rank *pari passu* with the existing Shares with the exception of rights attaching by reference to a record date prior to the allotment date. Application will be made to AIM for all such Shares to be admitted to trading.

Options are non-transferable and non-pensionable.

4.13 Amendments

Subject to what follows, the Share Option Plan may be amended by the Remuneration Committee in any respect.

No amendment may be made to the rules of the Share Option Plan if it would adversely affect the rights of optionholders unless each optionholder is invited to approve the amendment and a majority of the optionholders who respond do so, except for amendments considered by the Remuneration Committee to benefit the administration of the Share Option Plan, to take account of legislation, to obtain or maintain favourable tax, exchange control or regulatory treatment or to take account of a corporate transaction, provided the amendment does not affect the Share Option Plan's basic principles.

5. Memorandum and Articles

5.1 Memorandum of Association

The Company's principal objects, which are contained in its Memorandum of Association, include the carrying on of business as a general commercial company in particular and without prejudice to the generality of the foregoing to carry on all kinds of business related to the operation of an investment company. The objects of the Company are set out in full in clause 3 of the Memorandum of Association.

The following is a summary of the principal provisions of the Articles of Association of the Company.

5.2 Capital structure

The share capital of the Company is represented by an unlimited number of Shares of nil par value having the rights described in the Articles. Under the Articles, the Directors are given authority to effect the issue of further shares of the same class and to create new classes of shares.

5.3 Variation of class rights

Subject to the provisions of Guernsey law, all or any of the rights for the time being attached to any class of shares for the time being issued may (notwithstanding that the Company may or may be about to be in liquidation) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters of the capital committed or agreed to be committed in respect of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles, but so that the quorum at such meeting (other than an adjourned meeting) shall be two persons holding or representing by proxy at least one-third of the capital committed or agreed to be committed in respect of the issued shares of the class in question.

Preferential rights may be conferred upon the holders of the shares of any class of shares issued by the Company unless otherwise prohibited by the terms of issue of shares of any other class.

5.4 Alteration of Share Capital

The Company may, from time to time, by ordinary resolution:

- raise share capital of such amount to be divided into shares of such nominal value as may be prescribed and to increase its share capital by such sum, to be divided into shares of such amount as may be prescribed;
- consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- cancel any shares which, at the date of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled; and
- subject to the Companies Law, sub-divide its shares or any of them into shares of a smaller amount so that, following the sub-division, the proportion between the amount paid and the amount, if any, unpaid on each reduced share is the same as it was in the case of the share from which the reduced share is derived and so that the resolution whereby any share is subdivided may determine that, as between the holders of the shares resulting from the sub-division, one or more of the shares may have such preferred, deferred or other rights over the others as the Company has power to attach to unissued or new shares.

5.5 Issue of Shares

Subject to the provisions of the Articles, the unissued shares shall be at the disposal of the Board which may allot, grant options over (including, without limitation, by way of granting phantom stock, stock appreciation rights or other similar rights) or otherwise dispose of them to such persons on such terms and conditions and at such times as the Board determines but so that the amount payable on application on each share shall be fixed by the Board.

5.6 Pre-emption rights

When proposing to allot shares of any class to a person for cash, the Company must first offer them pre-emptively to every member on the same or more favourable terms. The number of shares offered will be in proportion as nearly as practicable to the proportion in value held by the relevant member of the relevant class of shares then in issue (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange). This procedure does not apply to an allotment of such securities where they are or will be wholly or partly paid otherwise than in cash or are allotted or issued pursuant to an employee share scheme. Furthermore, the Company may, by special resolution (i.e. a majority of three quarters of voting shareholders), disapply this procedure in other circumstances.

5.7 Rights attaching to the Shares

The rights attaching to the Shares are as follows:

5.7.1 Voting rights

Subject to any special rights or restrictions which may be attached to any class of share, on a show of hands, every holder of Shares who is present in person shall have one vote and, on a poll, every holder present in person or by a proxy shall have one vote for every Share held.

5.7.2 Dividends

Subject to the Companies Law and as set out in the Articles, the Company may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Board. No dividend may be paid otherwise than out of the profits of the business of the Company. The Board may at any time declare and pay such interim dividends as appears to be justified by the position of the Company.

No dividend shall bear interest against the Company. All unclaimed dividends may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company will not be constituted a trustee in respect thereof. Any dividend

unclaimed after a period of 12 years after having been declared or become due for payment will be forfeited and will revert to the Company.

The Board may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Board, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Board may divide the reserve into such special funds as it thinks fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Board may also without placing the same to reserve carry forward any profits. In carrying sums to reserve and in applying the same, the Board shall comply with the provisions of the Companies Law.

5.7.3 Redemption

Under the laws of Guernsey, the Shares do not carry a right to redemption by Shareholders.

5.8 Form and transfer of Shares

Subject to the laws of Guernsey, the Board may issue Shares as certificated or uncertificated Shares in its absolute discretion.

Subject to any restrictions on transfers described below:

5.8.1 The Articles are consistent with CREST membership. Any Shareholder may transfer all or any of his uncertificated Shares by means of CREST UK system, accordingly no provision of the Articles shall apply in respect of an uncertificated Share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the shares to be transferred.

5.8.2 Any Shareholder may transfer all or any of his certificated Shares by an instrument of transfer in any usual form, or in any other form which the Board may approve, signed by or on behalf of the transferor and, unless the Share is fully paid, by or on behalf of the transferee.

The Directors may, subject to the Articles, refuse to register a transfer of Shares unless: it is in respect of only one class of shares; it is in favour of a single transferee or not more than four joint transferees, it is delivered for registration to the registered office of the Company or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates and such other evidence of title as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer.

The Board may also, in its absolute discretion and without giving a reason, refuse to register a transfer of any share which is not fully paid or on which the Company has a lien provided that this would not prevent dealings in the share taking place on an open and proper basis on AIM.

5.9 Directors

5.9.1 Unless otherwise determined by the Board, the number of Directors shall be not fewer than two nor more than 10.

5.9.2 A Director need not be a Shareholder. At the first annual general meeting and at each annual general meeting thereafter (1) any Director who was elected or last re-elected a Director at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation; and (2) such further Directors (if any) shall retire by rotation as would bring the number retiring by rotation up to one-third of the number of Directors in office at the date of the notice of the meeting (or, if their number is not a multiple of three, the number nearest to but not greater than one-third).

5.9.3 The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine provided that the aggregate amount paid to all Directors by way of fees shall not exceed €2.5 million in any financial year, or such higher amount as may be determined from time to time by ordinary resolution of the Company. Any fees payable pursuant to the Articles shall be

distinct from and shall not include any salary, remuneration for any executive office or other amounts payable to a Director pursuant to any other provisions of the Articles and shall accrue from day to day. The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors, including expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company. If by arrangement with the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director, he may be paid such reasonable additional remuneration as the Board may determine.

5.9.4 The Directors shall not be subject to a mandatory retirement age.

5.10 Directors' interests

5.10.1 A Director who to his knowledge is in any way directly or indirectly interested in a contract or arrangement or proposed contract or arrangement with the Company shall disclose the nature of his interest at a meeting of the Board.

5.10.2 A Director may not vote (or be counted in the quorum) in respect of any resolution of the Directors or committee of the Directors concerning a contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him) is, to his knowledge, a material interest (otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company). This is subject to certain exceptions including (i) where a contract, arrangement, transaction or proposal concerns the purchase and/or maintenance or any insurance policy for the benefit of the Directors or for the benefit of persons including Directors or (ii) where a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any person at the request of or for the benefit of the Company or any of its subsidiary undertakings.

5.10.3 Any Director may act by himself or his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

5.10.4 A Director may continue to be or become a director, managing director, manager or other officer or shareholder of any company in which the Company may be interested or which is promoted by the Company and no such Director shall be accountable to the Company for any remuneration or other benefits received thereby.

5.11 Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to give guarantees, hypothecate, mortgage, charge or pledge the assets, property and undertaking (present or future) and uncalled capital of the Company or any part thereof and (subject to the provisions of the Companies Law) to issue debentures, loan stock and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Articles do not include limits on the Company's power to borrow.

5.12 Report and accounts

Copies of the annual audited financial statements will be sent to each Shareholder and the Company's auditor at least 21 days before the date of the Company's annual general meeting.

It is intended that the annual report and accounts of the Company will be prepared for the 12 month (or such shorter) period ending on 31 December in each year.

5.13 Annual general meeting

The annual general meeting of the Company will be held in Guernsey or such other place as may be determined by the Board of Directors. Not less than 14 days' notice specifying the time and place of the general meeting in each year and, in the case of special business, the general nature of the business to be transacted will be sent to Shareholders by post or e-mail. Other general meetings may be convened from time to time by the Directors by sending notice to Shareholders by post or

e-mail or by Shareholders requisitioning such meetings in accordance with Guernsey law, and may be held in Guernsey or elsewhere.

It is intended that the annual general meeting of the Company will normally be held in May of each year.

5.14 Winding up

On a winding up, the surplus assets remaining after payment of all creditors, including the repayment of bank borrowings shall be divided among shareholders pro rata, according to the rights attached to the shares.

5.15 Untraceable shareholders

The Company shall be entitled to sell at the best price reasonably obtainable the shares of a Shareholder or any shares to which a person is entitled by transmission on death or bankruptcy if and provided that:

- 5.15.1 for a period of 12 years no cheque or warrant sent by the Company through the post in a pre-paid letter addressed to the shareholder or to the person so entitled to the share at his address in the Register of Members or otherwise the last known address given by the shareholder or the person entitled by transmission to which cheques and warrants are to be sent has been cashed and no communication has been received by the Company from the shareholder or the person so entitled provided that in any such period of 12 years the Company has paid at least three dividends whether interim or final;
- 5.15.2 the Company has at the expiration of the said period of 12 years by advertisement in a newspaper circulating in the area in which the address referred to in sub-section 5.15.1 above is located given notice of its intention to sell such shares;
- 5.15.3 the Company has not during the period of three months after the date of the advertisement and prior to the exercise of the power of sale received any communication from the shareholder or person so entitled; and
- 5.15.4 if any part of the share capital of the Company is quoted on any stock exchange the Company has given notice in writing to the quotations department of such stock exchange of its intention to sell such shares.

5.16 Disclosure of interests in Shares and failure to disclose interests in Shares

The provisions of Chapter 5 of the Disclosure and Transparency Rules (the “Disclosure and Transparency Provisions”) are incorporated by reference into the Company’s Articles.

The Disclosure and Transparency Provisions detail the circumstances in which a person may be obliged to notify the Company within two business days that he has an interest in voting rights in respect of the Shares of the Company (a “notifiable interest”). An obligation to notify the Company arises when the percentage of voting rights which a person holds reaches, exceeds or falls below 3% of the voting rights attaching to any class of the shares or moves through any whole percentage point above 3%.

In addition, the Company may, by issuing a written notice (a “Disclosure Notice”), require a Shareholder to disclose the nature of his interest in a relevant shareholding within 14 days of receipt of the Disclosure Notice.

Where a Shareholder fails to comply with the Disclosure and Transparency Provisions or to make an appropriate disclosure in response to a Disclosure Notice within the period specified, the Directors may suspend voting and/or dividend rights for a period of up to one year from the date such failure to disclose came to the Board’s attention. Pursuant to the Articles, a Default Shareholder is not entitled to attend or vote at general meetings of the Company in respect of any Shares held by him in relation to which he or any other person appears to be interested. Such disentitlement will apply until the earlier of:

- (a) the date on which the information required is supplied to the Company; or
- (b) the date on which the Shares in question are transferred or sold.

The full text of the Disclosure and Transparency Provisions will be made available to any Shareholder free of charge on application to the Company secretary.

5.17 Takeover provisions

Pursuant to the Articles, a person must not:

- 5.17.1 acting by himself or with persons determined by the Directors to be acting in concert with him, seek to acquire Shares which, taken together with Shares held or acquired by persons determined by the Directors to be acting in concert with him, carry 30% or more of the voting rights attributable to the Shares; or
- 5.17.2 acting by himself or with persons determined by the Directors to be acting in concert with him, and holding not less than 30% but not more than 50% of the voting rights attributable to Shares, and seek to acquire, by himself or with persons determined by the Directors to be acting in concert with him, additional Shares which, taken together with the Shares held by the person determined by the Directors to be acting in concert with him, increase his voting rights,
- 5.17.3 except (in the case of 5.17.1 or 5.17.2 above) as a result of a ‘permitted acquisition’ (meaning an acquisition either consented to by the Directors, or made in compliance with Rule 9 of the Takeover Code, or arising from the repayment of a stock borrowing arrangement); or
- 5.17.4 effect or purport to effect an acquisition which would breach or not comply with Rules 4, 5, 6 or 8 of the Takeover Code if the Company were subject to the Takeover Code.

Where the Directors have reason to believe that a breach of the above has taken place, then the Directors may take all or any of the following actions:

- (i) require the person(s) appearing or purporting to be interested in the Shares to provide such information as the Directors consider appropriate;
- (ii) have regard to such public filings as they consider appropriate to determine any of the matters in this paragraph 5.17;
- (iii) make any determination under the Articles as the Directors think fit, either after calling for submissions by the relevant person(s) or without calling for any;
- (iv) determine that the voting rights attached to such Shares in breach of the Articles (the “**Excess Shares**”), are from a particular time incapable of being exercised for a definite or indefinite period;
- (v) determine that some or all of the Excess Shares are to be sold;
- (vi) determine that all or some of the Excess Shares will not carry any right to any dividends or other distributions from a particular time for a definite or indefinite period; and
- (vii) take such actions as they think fit for the purposes of the Articles, including prescribing rules not inconsistent with the Articles, setting deadlines for the provision of information, drawing adverse inferences where information requested is not provided, making determinations or interim determinations, executing documents on behalf of a Shareholder, paying costs and expenses out of proceeds of sale and changing any decision or determination or rule previously made.

5.18 Right to appoint Directors

For so long as:

- 5.18.1 Euro Plaza and its associates (for the avoidance of doubt excluding Molteno and its associates) hold at least 30% of the issued share capital of the Company, Euro Plaza will have the right to nominate two non-executive Directors and, for so long as Euro Plaza and its associates (for the avoidance of doubt excluding Molteno and its associates) hold at least 15% but less than 30% of the issued share capital of the Company it will have the right to appoint one non-executive Director.

5.18.2 Molteno and its associates (for the avoidance of doubt excluding Euro Plaza and its associates) hold at least 15% of the issued share capital of the Company, Molteno will have the right to nominate one non-executive Director at all times when Boris Ivesha is not on the Board.

6. Directors' interests

6.1 The interests (all of which are beneficial) of the Directors and, so far is known to the Directors or could with reasonable diligence be ascertained by them, persons connected with them in the share capital of the Company as at the date of this document and on Admission, are or are expected to be as follows:

Director	As at the date of this document		Following Admission ⁽¹⁾	
	Number of Shares	Percentage of issued share capital	Number of Shares	Percentage of issued share capital
Eli Papouchado ⁽²⁾	—	—%	17,376,917	42.4%
Boris Ivesha ⁽³⁾	—	—%	7,500,000	18.3%
Chen Moravsky	—	—%	—	—%
Elisha Flax	—	—%	—	—%
Kevin McAuliffe	—	—%	—	—%
Nigel Jones	—	—%	—	—%

Notes:

- (1) Assuming no exercise of the Over-allotment Option.
- (2) Eli Papouchado is deemed to be interested in the Shares held by Euro Plaza (see section 7.1 of this Part XI for further details).
- (3) Boris Ivesha is deemed to be interested in the Shares held by Molteno (see section 7.1 of this Part XI for further details).
- 6.2 Save as disclosed in section 6.1 of this Part XI, none of the Directors has any interest in the share capital or loan capital of the Company or any member of the Group nor does any person connected with the Directors have any such interest.
- 6.3 Save for the interests of Eli Papouchado and Boris Ivesha in the transactions comprising the Reorganisation, no Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 6.4 The Directors currently hold, and have during the five years preceding the date of this document held, the following directorships and partnerships:

Name	Current directorships/partnerships	Previous directorships/partnerships
Eli Papouchado	<p>Taravilla Ltd.</p> <p>Alora Ltd.</p> <p>Luxury Hotels N.V.</p> <p>Red Sea Hotels Ltd.</p> <p>Red Sea Club Ltd.</p> <p>Lavia Management Services (1982) Ltd.</p> <p>Red Sea Investments (2001) Ltd.</p> <p>Red Sea Hotels International (1993) Ltd.</p> <p>Red Sea Hotels Construction (1993) Ltd.</p> <p>Red Sea Hotels Promotion and Land (1994) Ltd.</p> <p>Pamla Real Estate & Investments Ltd.</p>	—

Name	Current directorships/partnerships	Previous directorships/partnerships
Boris Ivesha	Petrotrade Ltd. Almog Yam Suf Building (1996) Ltd. Almog Yam Suf Management and Projects Supervision Ltd. A.P.Y. Investments and Real Estate Ltd. Eli Papouchado Ltd.	Nottingham Park Plaza Hotel Operator Limited GC Project Management Limited Sherlock Holmes Park Plaza Limited Pagoda Investments Limited Hotel Yamit Properties (1993) Ltd Prosperity Ltd Prosperity Hotels Israel (1993) Ltd Prosperity Restaurants Jerusalem (1987) Ltd Hatira Hotels (1986) Ltd Ten Li Chow Ltd
	The Company Leeds Park Plaza Hotel Limited Nottingham Park Plaza Hotel Limited Euro Plaza Properties Limited Hotel Yamit Tel Aviv Ltd Av-Neta Limited Even Gad Investments Limited	
Chen Moravsky . .	The Company Red Sea Group Management B.V. Riverbank Victoria Grandis Victory Enterprises I B.V. Mandarin Hotel B.V. Victoria Pub Holding B.V. Irish River Holdings B.V. Leno Hotel Holding B.V. Hotel Leeds Holding B.V. Hotel Nottingham Holding B.V. Africana Holding B.V. Horizon Enterprises B.V. Atlantic Pacific Enterprises B.V. Euro Sea Lagoon Holding B.V. Resort Paradise Holdings B.V. Seven Seas Holdings B.V. Suf Holding B.V. Victoria Monument B.V. Zilver-Berk B.V. Riverbank Hotel Operator Ltd. Victoria Park Plaza Operator Ltd. Sherlock Holmes Park Plaza Ltd. Euston Road Hotel Operator Ltd. Marlbray Limited Alora Limited Taravilla Limited Kav Onidin Limited WW Gear Construction Limited Cyrus Yachts Sanayi Ve Ticaret Ltd. Sti. Hellas Betting International Limited Andrassy ut 25 kft	Shaw Hotel Holding B.V.

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Previous directorships/partnerships</u>
	Bay Light Holdings SARL Blaze Finance Services SARL Three Continents Holdings Ltd. Pollard (Malta) Limited	
Elisha Flax	Zenrgy Ltd Delek Global Real Estate PLC	Verticalband Ltd
Kevin McAuliffe . .	Alpen Feeder Limited Alpen Fund Limited Alpen Investment Management (Guernsey) Limited Asian Palm Oil Company Limited AUB (Baker Street) Development Limited BeCCo Biofuels Limited Beechmont Enterprises Inc BF Global Limited Bridgeote Holdings Limited Broadoaks Estate Property Investments Limited Broadoaksestate Data Centre Services Limited BSG Capital Markets PCC Limited BSG Energy Downstream Limited BSG Energy Holding Limited BSG Energy Upstream Limited BSG Resources Limited BSGR Guernsey Fund Limited BUPA Guernsey No. 2 Limited BUPA Guernsey No. 1 Limited Carey Administration Limited Carey Commercial Limited Carey Holdings Limited Cavendish (Inchinnan) Limited Cavendish No. 1 Limited Charton Investments S.A. CKLB Holdings Limited CKLB International Limited Colonnade Limited Cricket Limited Eastmount Capital Holdings Limited Eastmount Capital Limited Eastmount Capital Market Inc Eastmount Strategic Holdings Limited Empos Holdings Inc Five Mounts Dock Limited Five Mounts Properties Holding Limited Guernsey Welfare Service Limited Hardwick (Glasgow) Property Company Limited Hardwick (GP) Limited Hardwick Investment Company Limited Iceberg Consulting; Limited Industrial Development & Investment Limited	Carey Trustees Limited C.L. Nominees Limited C.L. Secretaries Limited C.L. Directors Limited Orestone International Holdings Limited Red Lodge Homes Limited Scholer Nominees Limited Walwyn Investments Limited Heathside Overseas Limited SI Capital Limited Smith Street Chambers Limited Droxford Finance Limited Teshuva Limited Bear Up Limited Uplink Investments Group Limited Gullhampton Limited Salaway Limited P.A.J. General Shipping Limited Carey SAM JDFX Limited BUPA Guernsey LLP AUB (Baker Street) Limited Summit Finance Limited PegasusBridge Carried Interest GP Limited

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Previous directorships/partnerships</u>
	International Power Levanto (Guernsey) Limited Lynch Associates (Jersey) Limited M.G. Financial Investment Services Limited PegasusBridge Fund Management Limited Propinvest 5 Limited Rhine Trustees Limited Sage Capital Global Limited Sage Capital Markets Limited Sage Enterprises Limited Sage Real Estate Limited Sage Venture Capital Limited SG Holdings Limited Solid Rock General Partner Limited Solid Rock Management Limited TMI Limited TSC Capital Limited UK Care No 1 Limited Vallon Trading Limited	
Nigel Jones	ComProp Limited Commercial Properties Ltd. ComProp Jersey Limited ComProp Guernsey Limited ComProp Investments Limited Divad Limited Longue Hougue Properties Limited Oscar Holdings Limited Pitronnerie Properties Limited Plaisance Holdings Limited St Clair Products & Holdings Limited Commerce Holdings Limited Property Services Limited Admiral Court One Limited Clark's Holdings Limited Cornwall Property Limited F Mallet & Sons Limited Woodpecker Holdings Limited BUPA Leaseco Holdings	Mighty Mouse Limited Les Banques Holdings Limited

- 6.5 None of the Directors has any unspent convictions in relation to indictable offences.
- 6.6 None of the Directors have been the subject of any public criticism by any statutory or regulatory authority (including a recognised professional body).
- 6.7 Save as disclosed below, none of the Directors has been a director of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors.

Elisha Flax was a director of Verticalband Limited from 2003 to 2005. At the time he was appointed to the board of this company, it was subject to a voluntary arrangement with its creditors. This arrangement was terminated on 13 September 2004 and Verticalband Limited is no longer subject to any such arrangement.

- 6.8 None of the Directors has been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership.
- 6.9 No asset of any Director has at any time been the subject of a receivership.
- 6.10 None of the Directors is or has been bankrupt nor been the subject of any form of individual voluntary arrangement.
- 6.11 None of the Directors is or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 6.12 There are no outstanding loans granted by any member of the Group to any of the Directors nor has any guarantee been provided by any member of the Group for their benefit.

7. Substantial share interests

- 7.1 In addition to the interests of the Directors disclosed in section 6.1 of this Part XI, the Company is aware of the following persons who at the date of this document have, or who are expected on Admission to have, an interest in 3% or more of the issued share capital of the Company:

Name	As at the date of this document		Following Admission ⁽¹⁾	
	Number of Shares	Percentage of issued share capital	Number of Shares	Percentage of issued share capital
Euro Plaza ⁽²⁾⁽³⁾	—	—%	17,376,917	42.4%
Molteno ⁽³⁾⁽⁴⁾	—	—%	7,500,000	18.3%
GSI	—	—%	3,636,364	8.9%

Notes:

- (1) Assuming no exercise of the Over-allotment Option.
- (2) The AP Descendants' Trust, the YP Descendants' Trust, Peninsula International Enterprises Ltd., Three Continents Holdings Ltd., Horizon Enterprises B.V. and Atlantic Pacific are also interested in these Shares by virtue of their controlling interest in Euro Plaza. Immediately following Admission, Euro Plaza will transfer such number of Shares as is equal to €1 million converted into Sterling at an exchange rate of €1,4772 per £1 divided by the Placing Price to three employees of the Red Sea Group.
- (3) The trustee of the Princeton Trust has agreed with Euro Plaza that for so long as the combined direct and indirect interests of the Red Sea Group and the Princeton Trust in the Company are not less than 38% of the issued ordinary share capital and the Red Sea Group's interest in the Company is at least 26.5%, the parties will vote in a concerted manner on any resolution put to a general meeting of Shareholders.
- (4) The Princeton Trust is also interested in these Shares as a result of its controlling interest in Molteno.
- 7.2 Save as disclosed in sections 6.1 and 7.1 of this Part XI, the Company is not aware of any person who will, immediately following Admission, be interested directly or indirectly in 3% or more of the issued share capital of the Company.
- 7.3 Save as disclosed in sections 6.1 and 7.1 of this Part XI, the Company is not aware of any person who exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company.
- 7.4 The persons including the Directors, referred to in sections 6.1 and 7.1 of this Part XI, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other Shareholder.
- 7.5 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

8. Directors' service agreements and letters of appointment

8.1 Chief executive officer

Boris Ivesha has entered into a service agreement with the Company dated 26 June 2007 pursuant to which he is appointed Chief Executive Officer of the Company. The service agreement takes effect on Admission and is terminable by the Company on 12 months' notice or by Mr. Ivesha on

6 months' notice. During any period of notice the Company has the express contractual right to place Mr. Ivesha on garden leave.

The service agreement provides for an annual salary of £300,000 and a discretionary, performance related, bonus capped at 100% of annual salary. Other benefits provided under the service agreement are private medical insurance, long term disability insurance, death in service benefits and a provision for use of a company car. Mr. Ivesha is entitled to 30 days' paid holiday per annum.

The Company may make a payment in lieu of all or part of Mr. Ivesha's notice period. The amount of the payment in lieu shall consist of the basic salary and the value of the benefits (excluding bonus) for the relevant period of notice.

The service agreement contains post-termination restrictive covenants which remain in force for a period of six or 12 months following the termination of employment depending on the nature of the restriction. For a period of six months after termination of employment, Mr. Ivesha is prohibited from being engaged in a competing undertaking, from dealing with the Group's clients/customers, from interfering with the supply of goods and services from the Group's suppliers and from soliciting goods from the Group's suppliers. For a period of 12 months following the termination of employment, Mr. Ivesha is prohibited from soliciting business from the Group's clients/customers and from soliciting senior employees to cease working for the Group.

8.2 Chief financial officer

Chen Moravsky has entered into a service agreement with Euro Sea (a Dutch registered subsidiary of the Company) dated 26 June 2007, pursuant to which he is appointed Chief Financial Officer of the Group with effect from 1 July 2007. The service agreement is governed by Dutch law. The service agreement is terminable by Euro Sea on 12 months' notice and by Mr. Moravsky on 6 months' notice.

The service agreement provides for an annual salary of €222,000 and a performance-related bonus capped at 100% of annual salary. Other benefits provided under the service agreement are employer pension contributions at a rate of 15% of annual salary, and private medical insurance, long term disability allowance and death in service benefit. In addition to the benefits outlined above, Mr. Moravsky receives an annual benefit allowance equal to 10% of annual salary which can be used to acquire such additional benefits as Mr. Moravsky designates. Mr. Moravsky is entitled to 25 days' paid holiday per annum.

The service agreement contains post-termination restrictive covenants which remain in force for a period of 12 months following the termination of employment. For a period of 12 months after termination of employment, Mr. Moravsky is prohibited from soliciting or being engaged in a competing undertaking, from dealing with the Group's clients/customers, and from soliciting senior employees to cease working for the Group. Save in relation to notice pay and benefits, no further sums would be due to Mr. Moravsky pursuant to his service agreement upon termination, although Dutch law may entitle Mr. Moravsky to additional damages or severance in respect of the termination of employment.

8.3 Non-executive Chairman

Eli Papouchado has been appointed as non-executive Chairman of the Company pursuant to a letter of appointment dated 26 June 2007. The appointment will take effect on Admission and is for an initial period of three years subject to earlier termination by either party on not less than three months' notice. Mr. Papouchado is entitled to an annual fee of £100,000 in respect of his services plus an additional cumulative fee of £5,000 should he serve on any committee of the Board. Mr. Papouchado is also entitled to use an apartment at the Plaza on the River when he is in the UK.

8.4 Non-executive Directors

Elisha Flax has been appointed as a non-executive Director pursuant to a letter of appointment dated 26 June 2007. The appointment will take effect on Admission and is for an initial period of three years subject to earlier termination by either party on not less than three months' notice. Mr. Flax is entitled to an annual fee of £25,000 plus an additional cumulative fee of £5,000 should he serve on any committee of the Board. In the event that Mr. Flax's appointment terminates for any reason within the first 12 months from commencement, the Company shall pay to Mr. Flax the

balance of his directors' fees, to the extent that they are unpaid, in respect of the 12 month period from commencement.

Kevin McAuliffe has been appointed as a non-executive Director pursuant to a letter of appointment dated 26 June 2007. The appointment is for an initial period of three years subject to earlier termination by either party on not less than three months' notice. Mr. McAuliffe is entitled to an annual fee of £25,000 plus an additional cumulative fee of £5,000 should he serve on any committee of the Board. In the event that Mr. McAuliffe's appointment terminates for any reason within the first 12 months from commencement, the Company shall pay to Mr. McAuliffe the balance of his directors' fees, to the extent that they are unpaid, in respect of the 12 month period from commencement.

Nigel Jones has been appointed as a non-executive Director pursuant to a letter of appointment dated 26 June 2007. The appointment is for an initial period of three years subject to earlier termination by either party on not less than three months' notice. Mr. Jones is entitled to an annual fee of £25,000 plus an additional cumulative fee of £5,000 should he serve on any committee of the Board. In the event that Mr. Jones's appointment terminates for any reason within the first 12 months from commencement, the Company shall pay to Mr. Jones the balance of his directors' fees, to the extent that they are unpaid, in respect of the 12 month period from commencement.

8.5 **Aggregate remuneration**

The aggregate remuneration paid (including benefits in kind) to the Directors by members of the Group in respect of the year ended 31 December 2006 was approximately €264,000. It is estimated that the aggregate remuneration and benefits in kind payable to the Directors by members of the Group in respect of the current financial year (under the arrangements in force at the date of this document) will be approximately €635,000.

- 8.6 Save as set out in sections 8.1 to 8.4 of this Part XI, there are no service agreements in existence between any of the Directors and the Company or any of its subsidiaries which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.
- 8.7 There is no arrangement under which any Director has waived or agreed to waive future emoluments.
- 8.8 Save as set out in the Relationship Agreements, there are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director was selected as a member of the Board or as a member of senior management.

9. The Company's subsidiaries, jointly controlled entities and associate

- 9.1 The Company will following Admission be the holding company of the Group the principal activities of which are the ownership, operation and franchising of hotels.
- 9.2 The Company will following Admission have the following subsidiaries:

<u>Name</u>	<u>Country of registration or incorporation</u>	<u>Percentage of issued share capital held by the Company and (if different) proportion of voting power held</u>	<u>Purpose</u>
Park Plaza Coöperatief U.A.	The Netherlands	100	Holding co-operative
Euro Sea Hotels N.V.	The Netherlands	100	Holding company
Golden Wall Investment Limited . .	BVI	100	Holding company
Victory Enterprises I B.V.	The Netherlands	100	Holding company
The Mandarin Hotel B.V.	The Netherlands	100	Hotel owning company
ParkVondel Holding B.V.	The Netherlands	100	Holding company

<u>Name</u>	<u>Country of registration or incorporation</u>	<u>Percentage of issued share capital held by the Company and (if different) proportion of voting power held</u>	<u>Purpose</u>
ParkVondel Hotel Real Estate B.V.	The Netherlands	100	Hotel owning company
ParkVondel Hotel Management B.V.	The Netherlands	100	Hotel operating company
Park Plaza Hotels Europe (Germany) B.V.	The Netherlands	100	Holding company
Park Plaza Hotels Europe B.V. ...	The Netherlands	100	Hotel management company
Sugarhill Investments B.V.	The Netherlands	100	Holding company
Suf Holding B.V.	The Netherlands	100	Holding company
Park Plaza Hotels Europe Holdings B.V.	The Netherlands	100	Holding company
Park Plaza Germany Holdings GmbH	Germany	100	Holding company
Park Plaza Hotels (Germany) Services GmbH	Germany	100	Hotel management company
Park Plaza Dresden Hotelbetriebsgesellschaft mbH .	Germany	100	Hotel operating company
Park Plaza Berlin Hotelbetriebsgesellschaft mbH .	Germany	100	Hotel operating company
Park Plaza Wallstrasse Hotelbetriebsgesellschaft mbH .	Germany	100	Hotel operating company
Art'otel Berlin Mitte / Park Plaza Betriebsgesellschaft mbH	Germany	100	Hotel operating company
Art'otel Dresden / Park Plaza Betriebsgesellschaft mbH	Germany	100	Hotel operating company
Art'otel Budapest Szállodaüzemeltető Kft	Hungary	100	Hotel operating company
Art'otel Berlin City Centre West GmbH	Germany	100	Hotel operating company
Park Plaza Nürnberg GmbH	Germany	100	Hotel operating company

	<u>Name</u>	<u>Country of registration or incorporation</u>	<u>Percentage of issued share capital held by the Company and (if different) proportion of voting power held</u>	<u>Purpose</u>
9.3	The Company will, following Admission, have interests in the following jointly controlled entities:			
	Grandis Netherlands Holding B.V.	The Netherlands	55 ⁽¹⁾	Hotel holding company
	Riverbank Hotel Holding B.V. . . .	The Netherlands	55 ⁽¹⁾	Hotel holding company
	Riverbank Hotel Operator Limited	U.K.	55 ⁽¹⁾	Hotel operating company
	Sherlock Holmes Park Plaza Limited	U.K.	55 ⁽¹⁾	Hotel operating company
	Victoria Hotel and Restaurant Investment B.V.	The Netherlands	50 ⁽¹⁾	Holding company
	Victoria Hotel C.V.	The Netherlands	50 ⁽¹⁾⁽²⁾	Hotel holding entity
	Utrecht Victoria Hotel B.V.	The Netherlands	50 ⁽¹⁾	Hotel holding company
	Victoria Hotel and Restaurant Management Services B.V.	The Netherlands	50 ⁽¹⁾	Holding company
	Victoria Monument B.V.	The Netherlands	50 ⁽¹⁾	Property holding company
	Victoria London Hotel Holding B.V.	The Netherlands	50 ⁽¹⁾	Holding company
	Victoria Park Plaza Operator Limited	U.K.	50 ⁽¹⁾	Hotel operating company
	Victoria Pub Holding B.V.	The Netherlands	50 ⁽¹⁾	Property holding company

Notes:

- (1) The remaining interests are owned by subsidiaries of Elscint.
(2) A Dutch partnership.

The Company will, following Admission, have the following associate:

	<u>Name</u>	<u>Country of registration or incorporation</u>	<u>Percentage of issued share capital held by the Company and (if different) proportion of voting power held</u>	<u>Purpose</u>
	Marlbray Limited	United Kingdom	33 ⁽¹⁾	Property holding company

Note:

- (1) The remaining interests are held by two UK property developers.

9.4 Each company is registered as shown above and operates principally within its country of incorporation.

10. Material contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two years preceding the date of this document and which are, or may be, material:

10.1 The Placing Agreement and lock-up and stock lending arrangements

Pursuant to an agreement dated 11 July 2007 between and among the Company, Molteno and Euro Plaza, Morgan Stanley and the Directors (the “**Placing Agreement**”):

- the Company has agreed, subject to certain conditions that are typical for an agreement of this nature, the last condition being Admission, to issue the Placing Shares to be issued and sold under the Placing at the Placing Price;
- Morgan Stanley has agreed, subject to certain conditions that are typical for an agreement of this nature, the last condition being Admission, to procure subscribers for or, failing which, to subscribe for themselves the Placing Shares to be issued under the Placing at the Placing Price. The Placing Agreement will become unconditional on Admission;
- The Company has granted the Over-allotment Option to Morgan Stanley, in its capacity as stabilising manager, pursuant to which Morgan Stanley may, subject to certain conditions, procure purchasers for or purchase itself up to such number of additional Shares representing 10% of the total number of Placing Shares issued under the Placing at the Placing Price, for the purposes, amongst other things, of allowing Morgan Stanley to meet over-allotments, if any, in connection with the Placing and to cover short positions resulting from stabilising transactions. The Over-allotment Option will be exercisable, in whole or in part, on one occasion only, upon written notice by Morgan Stanley, given no later than 10 August 2007;
- the Company has agreed to pay to Morgan Stanley a commission of 3.5% of the aggregate proceeds of the Placing (including any Over-allotment Shares). In addition, the Company will pay to Morgan Stanley a further fee if the Company in its sole discretion determines it is appropriate that such fee be paid. Such fee is up to a further 1.25% of the aggregate proceeds of the Placing (including those relating to the Over-allotment Shares). All fees and commissions shall be paid together with any value added tax chargeable thereon;
- the obligations of the Company to issue Shares and the obligations of Morgan Stanley to procure subscribers for, or failing which to themselves subscribe for the Shares to be issued under the Placing are subject to certain conditions including, among others, Admission occurring by 17 July 2007 or such later date as Morgan Stanley may agree with the Company. Morgan Stanley may terminate the Placing Agreement in certain circumstances that are typical for an agreement of this nature prior to Admission. These circumstances include the occurrence of certain significant changes in the condition (financial or otherwise), prospects or earnings of the Company or any other member of the Group and certain changes in financial, political or economic conditions;
- the Company has agreed to pay by way of reimbursement to Morgan Stanley, any stamp duty or stamp duty reserve tax arising on the issue or initial sale (as applicable) of Shares by them under the Placing;
- the Company has agreed to pay or cause to be paid (together with any related value added tax) certain costs, charges, fees and expenses of, or in connection with, or incidental to, amongst others, the Placing, Admission or the other arrangements contemplated by the Placing Agreement;
- the Company, Molteno and Euro Plaza and the Directors have given certain representations, warranties, undertakings and indemnities to Morgan Stanley. The liability of the Company is not limited as to time and amount. The liability of Molteno and Euro Plaza is limited as to amount and the liabilities of the Directors under the Placing Agreement are limited as to time and amount.

The Company has undertaken in the Placing Agreement to Morgan Stanley that during the period beginning at the date of Admission and continuing to and including the date six months after

Admission, it will not, without the prior written consent of Morgan Stanley, directly or indirectly, offer, issue, lend, sell or contract to sell, issue options in respect of or otherwise dispose of, directly or indirectly, or announce the offering or issue of any Shares (or any interest therein or in respect thereof) or any securities convertible into, or exchangeable for, or enter into any transaction with the same economic effect as, or agree to do any of the foregoing (other than the Shares issued pursuant to the Placing).

Each of Molteno, Euro Plaza and the Directors has undertaken in the Placing Agreement to Morgan Stanley that during the period beginning at the date of Admission and continuing to and including the date 12 months after Admission that he will not, without the prior written consent of Morgan Stanley, directly or indirectly whether for consideration or not, offer, issue, lend, sell or contract to sell, issue options in respect of or otherwise dispose of directly or indirectly, or announce an offering or issue of any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into or that represent the right (whether conditional or not) to receive Shares, or substantially similar to, Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing (including a derivatives transaction). In addition, two members of senior management and three employees of the Red Sea Group have entered into similar separate lock-up arrangements.

In connection with settlement and stabilisation, Morgan Stanley, as stabilising manager, has entered into a stock lending agreement with Molteno and Euro Plaza. Pursuant to this agreement, Morgan Stanley is able to borrow up to 1,550,000 Shares. This agreement will allow Morgan Stanley to settle, on Admission, over-allotments, if any, made in connection with the Placing. If Morgan Stanley borrows any Shares pursuant to the stock lending agreement, it will be required to return equivalent securities to the lenders in accordance with the terms of the stock lending agreement.

10.2 Nomad and Broker Agreement

On 11 July 2007, Morgan Stanley entered into a nomad and broker agreement with the Company, pursuant to which the Company has appointed Morgan Stanley to act as nominated adviser and broker to the Company in relation to Admission and thereafter. The Nomad and Broker Agreement is terminable by either party on one month's written notice subject to certain exceptions. Morgan Stanley is entitled to receive a fee of £50,000 (excluding VAT) per annum for its services. The Nomad and Broker Agreement contains an indemnity given by the Company to Morgan Stanley and provides, among other things, that the Company undertakes to comply with the AIM Rules.

10.3 The Territorial Licence Agreement

The licensing arrangements relating to the "Park Plaza" brand are governed by the Territorial Licence Agreement dated 30 September 2002 made between Park Global Holdings (a company stated in the Territorial Licence Agreement to be wholly-owned and controlled by CHW) as licensor and Golden Wall (a member of the Park Plaza group) as licensee. Under the Territorial Licence Agreement, Golden Wall, amongst other rights, is granted an exclusive licence to use the marks in 56 territories throughout Europe and the Middle East (the "Territory") in perpetuity (or the maximum period allowed by the laws of the relevant jurisdiction). The marks include "Park Plaza" and "Park Plaza International" and such of the foregoing with the addition of any other word or words describing any individual hotel (the "Marks").

The Territorial Licence Agreement also allows Golden Wall to use, and license others to use, the Park Plaza reservation system (the "System") within the Territory, which right includes the right to utilise the System's international marketing and reservations facilities and to receive other promotional assistance.

Hotels which are granted a sub-licence and which are not owned or managed by Golden Wall or its affiliates must enter into a standard form licence agreement (the form used for licensing the Park Plaza trade mark in the US).

Pursuant to a territorial sub-licence dated 31 March 2003, Golden Wall granted an exclusive sub-licence of its rights under the Territorial Licence Agreement to Compass Investment Ltd to use the Marks in Germany and Hungary. Compass Investment Ltd assigned the benefit of this sub-licence to PPHEG by way of a "Contribution Agreement" entered into on 31 March 2003.

In addition, Golden Wall sub-licensed its rights and obligations under the Territorial Licence Agreement to PPHE B.V. on 31 March 2003, on the same terms as those contained in the sub-licence described above, to use the Marks in relation to Europe (excluding Germany and Hungary) and the Middle East.

10.4 Goldman Sachs Equity Investment Letter

Pursuant to a letter dated 25 June 2007, GSI has committed to apply for Shares in the Placing in an amount which equates to £20 million at the Placing Price (the “GSI Investment”) and Morgan Stanley and the Company have agreed that such application will be met in full.

10.5 art’otel Acquisition Agreement

A Binding Memorandum of Agreement, subject to German law, has been entered into by CCS, PPHEG and PPHE B.V. in relation to the “art’otel” brand. This agreement, dated 4 May 2007, assigns to PPHEG and PPHE B.V. the rights to the “art’otel” domain names and various pending and registered “art’otel” trade marks currently owned by CCS (in respect of Germany and Hungary to PPHEG and in respect of the rest of its rights in other jurisdictions to PPHE B.V.) on Admission, subject to Admission occurring prior to 31 December 2007. PPHEG and PPHE B.V. acknowledge that there have been refusals of trademark applications in six jurisdictions due to the existence of prior registered marks. CCS undertakes to grant to PPHE B.V. and PPHEG irrevocable powers of attorney to execute all required deeds to perfect the registrations of PPHEG and PPHE B.V. as owners of the trade marks and trade names. All new registrations of “art’otel” trade marks and domain names are to be made exclusively by PPHEG and PPHE B.V.. Under the agreement the parties agree to use reasonable endeavours to come to an agreement in relation to the loan of art currently in place in the hotels leased or operated by PPHEG and PPHE B.V.. The trademarks to be transferred are listed in an Annex to the agreement. The domain names to be transferred are not specified.

This agreement also gives an exclusive and perpetual licence of the “art’otel” trade marks back to CCS for use in the development of hotels in Germany, France, Austria, Switzerland, Italy and Spain. When CCS contemplates developing a hotel in these territories, it is to negotiate in good faith a balanced lease to PPHEG or PPHE B.V. of the respective hotel from CCS. The agreement states that in the event that a lease is not agreed, CCS has the right to self-operate the hotel or get a third party to operate the hotel. In such case, CCS is entitled to use the art’otel brand under PPHEG’s or PPHE B.V.’s then prevailing most favourable licence agreement. PPHEG and PPHE B.V. are also under an obligation to refer third party developers to CCS and, if CCS does not enter into an agreement with such third parties, PPHEG and PPHE B.V. are not allowed to either. No specific criteria are set out with regard to when an agreement has to be entered into. PPHEG and PPHE B.V. are permitted to enter into agreements in relation to the management of existing hotels, but only on obtaining consent from CCS (such consent not to be unreasonably withheld).

Under this agreement CCS is also to advise and provide consultation services in relation to the art and interior design concept of all hotels under the art’otel brand. Consultancy is to be carried out exclusively by CCS and at a fee of 0.25% of the “investment volume”, but not less than €50,000 and not more than €100,000 per hotel (plus VAT and any expenses and all fees in relation to artists and art historians etc.). The obligation to reimburse expenses and fees for artists is not capped and could therefore result in substantial additional costs. The parties have agreed that existing brands other than the “art’otel” brand which are registered in favour of CCS or any of its affiliates or authorised parties shall not be deemed confusing or infringing to the “art’otel” brand.

The consideration payable under this agreement is €4 million worth of Shares at the Placing Price converted into Euros at an agreed exchange rate prior to Admission.

10.6 Reorganisation Umbrella Agreement

On 11 July 2007, the Company, Euro Plaza and Molteno entered into the Reorganisation Umbrella Agreement described in section 12.1 of this Part XI headed “Related-party transaction—Reorganisation Umbrella Agreement”.

10.7 The Relationship Agreements

On 28 June 2007, the Company entered into separate relationship agreements with Euro Plaza and Molteno described in section 12.3 of this Part XI headed “Related-party transactions—The Relationship Agreements”.

10.8 Share sale agreement relating to Shaw Hotel Holding B.V.

On 19 December 2005, Euro Sea, BEA N.V., Shawpark Investments B.V. (together, the “Sellers”) and WG Mitchell (Scotland) Ltd (the “Purchaser”) entered into an agreement in respect of the sale of the shares in Shaw Hotel Holding B.V. (“Shaw”), the holding company for the Bernard Shaw hotel in London. The purchase price was £74.5 million and was divided between the Sellers pro rata to their shareholding in Shaw.

The Sellers gave certain warranties which, if breached, would render the Sellers jointly and severally liable to Purchaser to take all such actions/make all such payments so as to put the Purchaser/Shaw in the position it would have been had the warranty been true.

10.9 Purchase agreement relating to Prins Hendrikkade 33 Amsterdam (the proposed extension to the Park Plaza Victoria Amsterdam)

On 14 December 2006, Allianz Lebensversicherungs-AG (Allianz) and Victoria Monument entered into an agreement for the sale by Allianz and the purchase by Victoria Monument of the office building and land known as Prins Hendrikkade 33 Amsterdam (the “Property”). The purchase price was €14 million.

Victoria Monument represents in the agreement that it intends to use the Property after extensive refurbishment, as a hotel, which intended use is for its own account and risk. Allianz does not give any guarantee that this intended use is/would be permitted on the ground of public or private law.

Allianz and Victoria Monument expressly agreed that all risks as to the condition of the Property are for the account of Victoria Monument and that such risks have been taken into account in determining the purchase price.

10.10 Shareholders’ agreement relating to Marlbray

There is a Shareholders’ Agreement in relation to Marlbray, the owner of the Park Plaza Westminster Bridge project, dated 24 June 2005 made between Galliard Homes Limited, Jonathan Paul White and Alexander Cope (the “Founder Shareholders”), Euro Sea and Marlbray (the “Marlbray Shareholders’ Agreement”). The Marlbray Shareholders’ Agreement is supplemented by a supplemental agreement made between the same parties dated 19 April 2007 (the “Supplemental Shareholders’ Agreement”). Euro Sea owns 33.33% of the issued share capital in Marlbray.

Under the Marlbray Shareholder’s Agreement as supplemented, the Founder Shareholders are entitled to appoint two “A” directors and Euro Sea is entitled to appoint two “B” directors. Each “A” director and each “B” director has one vote at a board meeting but Mr White, one of the Founder Shareholders, has a casting vote in the event of deadlock. All shareholder decisions require unanimity.

The Marlbray Shareholders’ Agreement provides that until 24 June 2010 if a shareholder wishes to dispose of its shares in Marlbray, it must offer all (but not part only) of its shares to another shareholder in Marlbray or a permitted transferee, which, in the case of Euro Sea, will mean an associated company. A sale to a third party is not permitted until 24 June 2010 unless the unanimous consent of all other shareholders is obtained. Thereafter, sales to third parties are allowed subject to pre-emption and tag-along rights.

The Marlbray Shareholders’ Agreement expressly states that it is the parties intention that all Marlbray’s capital requirements will be provided by loan finance and from Marlbray’s own resources and that no shareholder will be required to provide funds to Marlbray in excess of £1.5 million in aggregate nor will they be required to provide any guarantee or security in respect of Marlbray’s obligations.

Under the Supplemental Shareholders’ Agreement, the parties agree to set up an escrow account (the “Marlbray Escrow Account”) in the name of the Marlbray to cover shortfalls that Galliard Homes Limited may face under guarantees it has given in relation to the aparthotel units which

form part of the Park Plaza Westminster Bridge project (the “Minimum Annual Yield Agreements”). The Minimum Annual Yield Agreements guarantee the purchaser a 6% annual yield on their investment for the five years from completion of the sale. The proceeds of the unit sales are to be paid into the Marlbray Escrow Account after full repayment of the loan facility described in section 11.5 of this Part XI headed “Financing facilities—Bank Hapoalim facility—Marlbray facility agreement”. The Supplemental Shareholders’ Agreement states that the other parties to the Marlbray Shareholders’ Agreement agree to indemnify Galliard Homes Limited in proportion to their shareholding in Marlbray and up to a specified amount, to the extent that funds within the Marlbray Escrow Account are not sufficient to cover Galliard Homes Limited’s liability under all or any of the Minimum Annual Yield Agreements. In the case of Euro Sea, this indemnity is limited to the unused amount of the Cost Overrun and Completion Guarantee (further details of which are set out in section 11.5 of this Part XI headed “Financing facilities—Bank Hapoalim Facility—Marlbray facility agreement”) plus £1 million. The maximum amount payable under the Cost Overrun and Completion Guarantee is £6 million.

10.11 Share purchase agreement relating to Marlbray

Euro Sea acquired its 33.33% interest in Marlbray by acquiring 80 ordinary shares from Galliard Homes Limited, Jonathan Paul White and Alexander Cope (the “Founder Shareholders”) pursuant to a sale and purchase agreement dated 24 June 2005 (the “Marlbray Share Purchase Agreement”). Euro Sea paid £6.7 million for its shareholding. The Marlbray Share Purchase Agreement only contains limited representations and warranties. There is no time limit for bringing a claim under the warranties and there is no limit on the amount of any claim.

10.12 Registrar Agreement

The Offshore Registrar Agreement dated 11 July 2007 is made between the Company and Capita Registrars (Guernsey) Limited (respectively the “Registrar Agreement and the “Registrar”). Under the Registrar Agreement, the Shares will at all times be registered on the register of members (the “Offshore Registers”) kept in Guernsey. The Company appoints the Registrar to act as the register of the Offshore Registers in respect of the Shares with effect from the date of Admission. In addition to keeping the Offshore Registers the Registrar agrees to provide certain administrative, accounting and secretarial services.

The Registrar’s fees shall be payable to the Registrar by the Company quarterly in arrears based on the number of shareholder accounts appearing on the Offshore Registers at certain points of the calendar year. The Registrar is entitled to a minimum annual fee of £4,500.

The Company agrees to indemnify the Registrar and its agents, officers and employees from and against all liabilities which may be suffered or incurred by the Registrar or its agents, officers and employees which arise in connection with the Registrar Agreement except if the liabilities arise out of the fraud, negligence or wilful default of the Registrar or its agents, officers or employees.

The Registrar Agreement may be terminated by either party giving not less than three months’ notice of termination to other party or in other limited circumstances which include one of the parties going into liquidation.

10.13 The financing facilities

The Company has entered into the financing facilities described in section 11 of this Part XI headed “Financing facilities”.

10.14 Administration and Secretarial Agreement

On 11 July 2007, the Company entered into an Administration and Secretarial Agreement with C.L. Secretaries Limited (the “Administrator”) whereby the Administrator agreed to provide the Company with registered office, secretarial and administration services. The Administrator’s fees will be paid by the Company, and the Administrator is entitled to a refund by the Company of all expenses reasonably incurred in the performance of the Administrator’s duties under the Agreement. The Agreement contains an unlimited indemnity in favour of the Administrator against claims by third parties except to the extent that the claim is due to the bad faith, negligence, fraud, breach of contract and wilful default of the Administrator or its delegates. The Agreement may be

terminated by any party giving to the other not less than three months notice in writing or otherwise in circumstances, *inter alia*, where one of the parties goes into liquidation. The Administrator's appointment under this Agreement will terminate automatically if the Administrator ceases to be licensed in Guernsey to act as administrator of the Company.

11. Financing facilities

11.1 Goldman Sachs Facility

On 3 March 2006, PPHE Holdings (the "Management Borrower"), Riverbank, Victoria and Grandis (the "Hotel Borrowers") as borrowers entered into an English law £195 million term loan facility agreement with GSI as arranger, agent, security agent and hedge counterparty, GSI as original lender and Victoria PP Op, Sherlock Holmes PP and Riverbank Op as UK operating companies (the "Goldman Sachs Facility").

The Goldman Sachs Facility was made available to refinance certain indebtedness of the Hotel Borrowers in relation to the Park Plaza Victoria hotel, the Park Plaza Sherlock Holmes hotel and the Park Plaza Riverbank hotel which included shareholder loans. The facility is repayable in instalments from the first anniversary of the first drawdown with final repayment due on the fifth anniversary of the first drawdown.

Interest consists of the aggregate of the applicable basic margin (1.65% per annum), PIK Margin (1.35% per annum), LIBOR (fixed at 4.72% for each Interest Period, which is three months) and mandatory cost, if any. PIK interest is added to the loan until 8 August 2008 and the loan is to be treated as having increased accordingly (including for the purposes of calculating interest).

An exit fee is payable in certain circumstances, including on a disposal of two or more of the London hotels or on repayment of the facility. The amount of such exit fee is 15% of the amount by which the aggregate market value of the Park Plaza Victoria hotel, the Park Plaza Sherlock Holmes Hotel and the Park Plaza Riverbank hotel exceeds a base value of £212.15 million.

The issued shares, the new shares and all present and future rights in the Management Borrower, the Hotel Borrowers, PPHE B.V., PPHEG and Sugarhill (direct subsidiaries of PPHE Holdings) are encumbered with a first ranking right of pledge (*openbaar pandrecht eerste in rang*) in favour of GSI as security for the parallel debt as defined in the Goldman Sachs Facility.

The bank account receivables of PPHE B.V., PPHEG and Sugarhill and all the rights related thereto are pledged in favour of GSI, as security for the payment of the parallel debt as defined in the Goldman Sachs Facility.

Pursuant to an amendment agreement dated 25 June 2007 (the "Amendment Agreement") the parties agreed that certain amendments would be made to the Goldman Sachs Facility in connection with the Placing and certain waivers given. Any events of default or breach of change of control provisions in relation to the pre-Placing reorganisation or in relation to the Reorganisation were waived by GSI as agent and the lenders agreed not to require any mandatory prepayment that would be triggered by such reorganisations. In consideration for GSI entering into the Amendment Agreement, the Group has agreed to pay a fee of £2 million.

Pursuant to the Amendment Agreement, and with effect from Admission, the Goldman Sachs Facility will be amended, *inter alia*:

- (a) to include new Events of Default, being:
 - (i) the acquisition by a third party of more than 50% of the total voting rights of the Company;
 - (ii) Mr. Ivesha ceasing to be the Chief Executive Officer of the Company without the prior written consent of GSI in its capacity as agent (unless he dies, retires, resigns or is suitably replaced within six months and the agent's prior written consent for his replacement is received); and
 - (iii) for the 12 months post-Admission if the Princeton Trust disposes of any Shares, held as at Admission, or at any time whilst the loan is outstanding if the Princeton Trust owns less than 25% of the shares it held as at Admission;

- (b) the Management Borrower ceases to be a borrower or obligor and shall have no further rights or obligations under the Goldman Sachs Facility other than an obligation to procure that management fee income from the UK operating companies is deposited into a European operating account; and
- (c) the share pledges other than those in relation to the Hotel Borrowers will be released as will the pledges over the bank account receivables.

11.2 Merrill Lynch facility

On 1 October 2004, Utrecht Victoria Hotel, Victoria Hotel and Mandarin Hotel as borrowers and guarantors entered into an English law €80 million term loan facility with Merrill Lynch International as Arranger and Facility Agent, Merrill Lynch Commercial Finance Corporation as Original Lender and Capita IRG Trustees Limited (“Capita”) as Security Agent.

Borrowings under the facility were made available to the borrowers in the following amounts: €14,020,619 to Utrecht Victoria Hotel, €57,795,400 to Victoria Hotel and €8,183,981 to Mandarin Hotel for the purpose of repaying certain existing indebtedness and making certain permitted distributions. The facility is repayable by quarterly instalments of €125,000 from 30 March 2007 with final repayment due on 30 September 2009.

Interest consists of the aggregate of the applicable margin (1.50% per annum), the fixed rate (3.41% being a percentage rate per annum determined by the Facility Agent (in its sole discretion acting in good faith) to be the cost of funds of the lenders in the wholesale markets for the loans and for the period from the utilisation date of the loan to the final repayment date of the loan) and mandatory cost, if any. The borrowers pay accrued interest on the last day of each interest period (being 30 December, 30 March, 30 June and 30 September in each year).

Security rights governed by Dutch law were vested in bank accounts given in favour of Capita consisting of: share pledges over shares in Utrecht Victoria Hotel, Mandarin Hotel, Victoria HRI, Victory I and Victory II, pledges over each of the operating income accounts and the debt service reserve account, of the rights of the borrowers under the operating agreements, over the moveable assets of the borrowers and over the insurance receivables of the borrowers and mortgages over the Park Plaza Mandarin, the Park Plaza Utrecht and the Park Plaza Victoria Amsterdam. There is also a guarantee and indemnity given by the guarantors.

The Netherlands security rights were initially vested in Capita as Security Agent under the Merrill Lynch facility agreement. However, by the Agreement and Assumption of the Functions of Security Agent and Facility Agent dated 30 June 2005 (the “Assumption Agreement”), Aareal Hyp AG was appointed as new security agent under the Merrill Lynch facility agreement and Capita transferred all its rights and obligations under the security documents that were executed in relation to the Merrill Lynch facility agreement to Aareal Hyp AG, which accepted the assignments and transfers.

As a consequence of the above, Capita has ceased to be the pledgee (*pandhouder*) and/or mortgagee (*hypotheeknemer*) of all Netherlands security rights that have been vested as security for the Merrill Lynch facility agreement and Aareal Hyp AG has become the same.

11.3 NIBC facility

On 25 January 2006, NSI Holding 3 B.V., as original Borrower, NSI Holding 13 B.V. (“NSI HoldCo”) B.H.A. Schiffeleers B.V. as original Guarantors and NIBC Bank N.V. (“NIBC”) as Arranger, Agent, Hedge Provider and Original Lender, entered into a Dutch law secured term facility agreement (the “NIBC Facility”). The same day, the NIBC Facility was assigned to PHRE as Successor Borrower and PHH and PHM as Successor Guarantors.

The loan made pursuant to the NIBC Facility consists of two parts: the Total Facility A Commitments (“Facility A”) and the Total Facility B Commitments (“Facility B”). Facility A, to an aggregate of €17.5 million is to be applied by the borrower (i) for payment to the Delta Lloyd Bank N.V. of the purchase price for the Vondel Park Plaza Amsterdam (formerly named Hofpark Hotel) under the acquisition agreement dated 17 January 2006, relating to the sale and purchase of the Vondel Park Plaza, between NSI HoldCo and Delta Lloyd Bank N.V., (ii) for making an intercompany loan to B.H.A. Schiffeleers B.V. to enable B.H.L. Schiffeleers B.V. to pay the purchase price for the furniture, fixtures and equipment of the Hofpark Hotel; and (iii) payment of

the acquisition costs. The Facility B, to an aggregate of €1 million, shall be applied towards payment of renovation costs.

The calculation of interest on each loan for each Interest Period (three months), is the percentage rate per annum which is the aggregate of (a) EURIBOR; and (b) a margin of 1.65% per annum (if a continuing Event of Default (as defined in the NIBC Facility) occurs, the margin will be 3.65% per annum).

The loan term ends on the seventh anniversary of the date of the NIBC Facility. Re-borrowing is not permitted.

The issued shares, the future shares as well as all present and future rights related thereto in PHRE are encumbered with a first ranking right of pledge (*openbaar pandrecht eerste in rang*) in favour of NIBC as security for the payment and discharge of each liability and obligation for the payment of money of an Obligor under or in connection with article 21.15 (Parallel Debt) of the NIBC Facility.

The Account Rights of PHH, PHM and PHRE have been encumbered with a first priority disclosed right of pledge to NIBC for the Secured Claims (as defined in the NIBC Facility).

The rights of PHM against PPHE B.V. arising out or in connection with the management agreement dated 27 January 2006, are encumbered with a first priority disclosed right of pledge to NIBC.

A first right of mortgage was vested on the Vondel Park Plaza as security for the NIBC Facility.

NIBC also requested the indirect shareholder of NSI HoldCo (Boris Ivesha) to provide a shareholder loan in the total amount of €4.5 million. The shareholder loan was made on 25 January 2006 between Boris Ivesha and NSI HoldCo (“Original Shareholder Loan Agreement”) and was subordinated to the NIBC Facility by a shareholders and subordination agreement dated 25 January 2006 (“Original Subordination Agreement”).

On 13 February 2006, Boris Ivesha transferred the rights out of the Original Shareholder Loan Agreement and the Original Subordination Agreement to Ciel Azure N.V., a Netherlands Antilles company, by deed of transfer and amendment relating to a €4.5 million shareholder loan agreement and a subordination agreement (the “Amended and Subordinated Loan Agreement”).

A second right of mortgage was vested on the Vondel Park Plaza Amsterdam as security for the Amended and Subordinated Loan Agreement.

11.4 Bank Hapoalim Facility—Victoria Monument

On 14 December 2006, Victoria Monument (the “Borrower”) and Bank Hapoalim BM (the “Lender”) entered into an English law €14 million facility letter (the “Bank Hapoalim Facility”).

One €14 million term loan facility is made available to the Borrower under 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 interest rate on the facility is 1.5% plus EURIBOR for the relevant interest period plus the Lender’s mandatory costs.

The facility is repayable in full on 14 December 2007.

Security given in favour of the Lender includes a legal charge over the Property given by the Borrower, guarantees from Euro Sea and Elbit Medical Imaging Ltd. (the “Guarantors”) in respect of all the Borrower’s liabilities under the Bank Hapoalim Facility, legal charges over the shares held in the Borrower, a charge over the purchase agreement for the purchase of the Property and a fixed charge over a designated “loan account” containing the loan.

The Bank Hapoalim Facility contains covenants that each of the Guarantors must beneficially own 50% of the share capital in the Borrower, the Borrower shall not and procure that none of its direct or indirect subsidiaries enter into a merger or reconstruction and that the Borrower cannot engage in any other activity other than the purchase and refurbishment of the Property. The Borrower cannot distribute any dividends, in cash or in kind, or make any other distribution without the prior written consent of the Lender.

The Bank Hapoalim Facility contains various events of default, including if the Borrower ceases to be wholly owned beneficially by the Guarantors or the Borrower or a Guarantor or a Pledgor enters into any amalgamation, demerger, merger or reconstruction.

Voluntary prepayment may be made on the Loan in whole or in part on seven prior business days' notice, to be paid on the last day of an interest period under the Bank Hapoalim Facility. For voluntary prepayment or a mandatory prepayment, a fee of 0.25% of the amount prepaid is payable.

Security given in favour of the Lender includes a legal charge over the Property given by the Victoria Monument (the "Borrower"), guarantees from Euro Sea and Elbit Medical Imaging Ltd. in respect of all the Borrower's liabilities under the Bank Hapoalim Facility, legal charges over the shares held in the Borrower, a charge over the purchase agreement for the purchase of the Property and a fixed charge over a designated "loan account" containing the loan.

11.5 **Bank Hapoalim Facility—Marlbray facility agreement**

On 19 April 2007, Marlbray (the "Borrower") and Bank Hapoalim B.M., London Branch (the "Lender") entered into an English law £221 million facility agreement (the "Marlbray Facility Agreement").

A term loan of £221 million (the "Loan") is made available to: (a) repay or prepay all amounts owing under an existing facility; (b) fund all demolition and clearance operations and all excavations, building and other construction work and all associated drainage and infrastructure works for the development (the "Development") of an hotel at 1 Westminster Bridge London SE1 7NJ (the "Property"); and (c) the payment of interest and fees, including those under any hedging documents.

The interest rate on the Loan is described as the "Margin" (being 2.15%) plus LIBOR for the period comparable to the relevant interest period, plus the Lenders mandatory cost.

The Loan is repayable in full on the earlier of: (a) 30 business days of the date of Practical Completion (Practical Completion takes place when the last certificate required in connection with practical completion of the Development 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.

Two kinds of guarantee have been given to the bank: (1) several guarantees from each of Euro Sea, Frogmore Property Company Limited and Galliard Homes Limited, guaranteeing cost overruns and completion of the development at 1 Westminster Bridge under the terms of the Marlbray Facility Agreement subject to limitations described below (the "Cost Overrun and Completion Guarantees"); and (2) a guarantee from Euro Sea, Frogmore Property Company Limited and Galliard Homes Limited guaranteeing all obligations of the Borrower under the Marlbray Facility Agreement subject to limitations described below (the "Sponsor Guarantee"). Security also includes a debenture from Marlbray (including a mortgage over the Property) and share mortgages granted by Euro Sea, Galliard Homes Limited, Jonathan White and Alexander Cope over all their respective shares in Marlbray.

The Marlbray Facility Agreement contains two financial covenants: (1) that at all times the Loan does not exceed 75% of the Estimated Unit Sales Value, being the aggregate of the total value of all unit sale agreements and the estimated total value of the projected unit sales (units being an apartment within the hotel); and (2) the Borrower must ensure at all times that the Projected Costs (the latest estimate by Gardiner & Theobald, the project monitor, of the costs and expenses from that date to achieve Practical Completion) do not exceed the aggregate of all Loans minus any outstanding Loans.

The Marlbray Facility Agreement contains a general covenant that the Borrower shall not, without the prior consent of the Lender, declare or pay any dividend or make any other distribution in respect of any of its shares.

The Marlbray Facility Agreement contains various events of default including insolvency events and, most notably, (a) if any of the Company, Galliard Homes Limited, Euro Sea, and Frogmore Property Company Limited (each a "Material Party") repudiates a Finance Document (as defined within the Marlbray Facility Agreement) or evidences such intention; (b) three or more deadlock situations (pursuant to clause 8 (Deadlock) of the Marlbray Shareholders' Agreement) arise in any 12 month period or any one deadlock situation arises that may have a material adverse effect; and

(c) a change in control occurs other than with the prior written consent of the Lender, as Facility Agent. For these purposes, a change of control occurs if: (i) any of Galliard Homes Limited, Jonathan Paul White and Alexander Thomas Cope and Euro Sea (the “Sponsors”) transfers all or any part of its shareholding in the Borrower; or (ii) there is any change in the voting right composition of the Sponsors; or (iii) any other provision of the Marlbray Shareholders’ Agreement or any other agreement affecting control of the Borrower is amended so that a change of control of the Borrower occurs, provided that the Borrower may seek prior written consent of the Facility Agent, to a proposed transfer of shareholdings to a group affiliate. Control of the Borrower means the power to direct the management and policies of an entity, whether through the ownership of voting capital, by contract or otherwise.

The Borrower may prepay the loan in whole or in part on 30 prior days’ notice, to be paid on the last day of an interest period and in a minimum amount and integral multiple of £5 million. There is a prepayment fee of 1% of any amount prepaid or cancelled (in addition to costs), except for certain kinds of mandatory and involuntary prepayments. There are provisions for mandatory prepayment on a change of control of the Borrower, flotation of the Borrower and disposal of the Property.

Under the Cost Overrun and Completion Guarantee given by Euro Sea, an amount, has been guaranteed by which the Agent determines (acting on the advice of the Project Monitor) that Projected Costs exceed the itemised budgeted costs and expenses relating to the acquisition of the Property and the Development as set out in the budget provided under the Marlbray Facility Agreement. Euro Sea guarantees: (a) payment by the Borrower to the Principal Contractor, being WW Gear, as required; (b) discharge by the Principal Contractor of all its obligations under or in accordance with the terms of the Development documents; and (c) the performance of the Principal Contractor. The maximum amount payable under the guarantee is £6 million.

The Sponsor Guarantee is given jointly and severally by Galliard Homes Limited, Euro Sea, and Frogmore Property Company Limited (the “Sponsor Guarantors”) to the Lender as Agent over any and all amounts whatsoever which are expressed by the terms of the Finance Documents (as defined in the Marlbray Facility Agreement) to be paid by the Borrower to the Lender. The Sponsor Guarantors provide a guarantee and undertaking to pay as principal if the Borrower does not make payment. The Sponsor Guarantee cannot be called upon until the earlier of 18 months from the date of the Marlbray Facility Agreement and the occurrence of an event of default under the Marlbray Facility Agreement which has been accelerated (and the security documents enforced). There is a limit on liability for each of the Sponsor Guarantors, being the amount equal to approximately £9.7 million less the amount which is equal to the sum of 20% of: (a) the total aggregate purchase prices of all unit sale agreements entered into after the date of the Sponsor Guarantee in relation to which a deposit of not less than 25% of the purchase price is payable by the purchaser; and (b) 50% of the total aggregate purchase prices of all unit sale agreements entered into after the date of the Sponsor Guarantee in relation to which a deposit of not less than 15% (but less than 25%) of the purchase price is payable by the purchaser.

12. Related party transactions

The following related party transactions are transactions which, as a single transaction or in their entirety, are or may be material to the Company and have been entered into by the Company or any other member of the Group during the period commencing on 1 January 2005 and terminating immediately prior to the date of this document. Each of the transactions was concluded at arm’s length.

12.1 Reorganisation Umbrella Agreement

On 11 July 2007, the Company, Atlantic Pacific, Ciel Azure N.V. (“Ciel Azure”), Coronation Management Limited (“Coronation”), a company owned by the Princeton Trust, and Molteno entered into a Master Reorganisation Agreement (the “Reorganisation Umbrella Agreement”) whereby the parties agreed to complete the reorganisation summarised below immediately prior to Admission:

- Atlantic Pacific, Molteno and Golden Wall establish a new Dutch co-operative society, Park Plaza Coöperatief U.A. (“PP Co-op”).

- Euro Sea sells its holding in Gear Construction Ltd to Atlantic Pacific for fair market value in return for debt.
- A member of the Red Sea Group assigns certain loans owed to it by Hotel Leeds Holding B.V. and Hotel Nottingham Holding B.V. (the “Leeds/Nottingham Loans”) at face value to Atlantic Pacific, which in turn assigns such loans to Euro Sea at face value, with the result that Hotel Leeds Holding B.V. and Hotel Nottingham Holding B.V. owe such loans to Euro Sea, which owes the corresponding amount to Atlantic Pacific.
- Certain companies which are not to form part of the Group assign certain inter-company payables owed to them by Euro Sea to Atlantic Pacific, and Euro Sea assigns certain inter-company receivables owed to it by WW Gear Construction Limited and Red Sea Club Limited (members of the Red Sea Group) to Atlantic Pacific.
- Euro Sea distributes a dividend to Atlantic Pacific, which will eliminate the net amount owed by Atlantic Pacific to Euro Sea following the three preceding steps, which will mean that Euro Sea will owe no indebtedness to companies outside the Group.
- Euro Sea contributes the Leeds/Nottingham Loans and certain receivables it has from Hotel Leeds Holding B.V. and Hotel Nottingham Holding B.V. (the “Leeds/Nottingham Receivables”) to Leno for share premium.
- Leno contributes the Leeds/Nottingham Loans and the Leeds/Nottingham Receivables to Hotel Leeds Holding B.V. and Hotel Nottingham Holding B.V., thereby cancelling that indebtedness.
- Euro Sea sells the shares in Leno to Atlantic Pacific for fair market value in return for a note (the “Leno Note”).
- Euro Sea distributes the Leno Note by way of dividend in kind to Atlantic Pacific, thereby cancelling the Leno Note.
- Atlantic Pacific contributes the shares in Euro Sea and Suf to PP Co-op in consideration for additional membership rights in PP Co-op.
- PP Co-op purchases PPHE Holdings from Coronation and Ciel Azure in exchange for notes (the “Sale Notes”).
- Each of Coronation and Ciel Azure distributes its Sale Note to the Princeton Trust.
- The Princeton Trust contributes the Sale Notes to Molteno with the result that PP Co-op is indebted to Molteno.
- Molteno contributes the Sale Notes to PP Co-op in consideration for additional membership rights in PP Co-op, thereby cancelling the Sale Notes.
- Boris Ivesha contributes a loan made by him to Golden Wall to Molteno in return for shares in Molteno.
- Molteno contributes the loan to Golden Wall in return for shares in Golden Wall.
- Atlantic Pacific and Molteno contribute their membership rights in PP Co-op and the shares in Golden Wall to the Company.
- Golden Wall distributes loan receivables from PPHE B.V., Parkvondel Holdings B.V. and PPHEG as a dividend in kind to the Company.
- PP Co-op contributes PPHE Holdings and Suf to Euro Sea for shares or share premium.
- Atlantic Pacific establishes Euro Plaza to which it contributes its interest in the Company to Euro Plaza.

Under the Reorganisation Umbrella Agreement, Molteno and Euro Plaza will receive as consideration 30% and 70%, respectively, of the issued ordinary share capital of the Company immediately prior to Admission. There is an indemnity in favour of the Company whereby Atlantic Pacific will indemnify the Company against all liabilities which any member of the Group incurs in any jurisdiction which arise in connection with the sale of Shaw Hotel Holding B.V. and Andrassy ut 25 Kft.

12.2 Option agreement relating to Park Plaza Leeds and Park Plaza Nottingham

On 25 June 2007, Euro Sea entered into an option agreement with Leno for a nominal consideration of €1 (the “Option Agreement”). The Option Agreement gives Euro Sea the right (but not the obligation) to acquire the entire issued share capitals of Hotel Leeds Holding B.V, Hotel Nottingham Holding B.V. and Nottingham Park Plaza Operator Limited (the “Option Companies”) from Leno. The Option Companies own the long leasehold interests in the Park Plaza Nottingham hotel and the Park Plaza Leeds hotel. Euro Sea’s option is for a period of five years from 25 June 2007 (the “Option Period”).

Leno is not prohibited from selling any or all of the shares in the Option Companies to third parties during the Option Period but Euro Sea has a right of first refusal in such circumstances.

If Euro Sea wishes to exercise the option to acquire the Option Companies then the consideration for the acquisition will be fair market value determined by an auditor based valuations prepared by an independent valuer.

Leno has agreed to give customary warranties in relation to the Option Companies and the businesses operated by them at the time that the option is exercised.

12.3 The Relationship Agreements

On 28 June 2007 the Company entered into two Relationship Agreements with Euro Plaza and Molteno. Under the agreements each of Euro Plaza and Molteno has agreed that all arrangements between it and the Group will be on arms’ length terms and that the Board will operate independently of Euro Plaza and Molteno and all decisions taken by the Board will be made for the benefit of Shareholders as a whole. Pursuant to the agreements Euro Plaza has the right, for so long as it controls at least 30% of the issued share capital of the Company, to appoint two Directors, falling to one Director where its percentage holding is between 15% and 30%. Molteno has the right to appoint one Director for so long as it controls at least 15% of the issued share capital of the Company. In addition, whilst Eli Papouchado and Boris Ivesha are members of the Board they will be deemed as appointees of Euro Plaza and Molteno respectively. Euro Plaza has granted the Group a right of first refusal to manage all hotels situated within the territory governed by the Territorial Licence Agreement as at Admission and acquired by Euro Plaza or any of its associates following Admission. This right does not apply to any hotels owned by Euro Plaza or any of its associates prior to Admission or that were subject to prior agreements in existence at Admission. Each of Euro Plaza and Molteno has also agreed not to solicit senior employees or officers of the Group.

13. United Kingdom taxation

The following statements are of a general and non-exhaustive nature based on the Directors’ understanding of certain aspects of current United Kingdom tax law and practice as at the date of this document, both of which are subject to change, potentially with retroactive effect, which could adversely affect the returns from the Company to Shareholders. These statements do not purport to be a complete analysis or listing of all the potential United Kingdom tax consequences of the acquisition, ownership and disposal of Shares. They are intended to apply only to Shareholders who are resident or ordinarily resident in the United Kingdom for United Kingdom tax purposes, who hold the Shares as capital investments and who are the beneficial owners of the Shares. The statements may not apply to certain classes of Shareholders such as dealers in securities, insurance companies and collective investment schemes.

Any change in the Group’s tax status or changes in tax legislation or tax treaties negotiated by those countries in which the Group operates, or in taxation legislation or taxation practice in Guernsey, the United Kingdom or any other tax jurisdiction affecting shareholders could affect the value of investments held by the Group or affect the Company’s ability to pay dividends or alter the post-tax returns to Shareholders. Prospective subscribers for or purchasers of Shares who are in any doubt as to their tax position or who are or may be resident or otherwise subject to tax in a jurisdiction other than the United Kingdom should consult their own tax advisers on the potential tax consequences of subscribing for, purchasing, holding, converting or selling Shares under the laws of their country and/or state of citizenship, domicile or residence.

13.1 Classification of securities for tax purposes

On issue, the Shares will not be treated as either “listed” or “quoted” securities for the purposes of UK capital gains tax. Provided that the Company remains one which does not have any of its shares listed on a recognised stock exchange (which for these purposes does not include shares which are admitted to trading only on AIM), the Shares should continue to be treated as unquoted securities.

13.2 The affairs of the Company

The statements in the following sub-paragraphs of this paragraph 13 are based on the assumption that the Company is not, and will not become, resident in the UK for tax purposes.

The Directors intend to conduct the affairs of the Company in such a manner as to minimise, so far as they consider reasonably practicable, taxation suffered by the Company. This will include conducting the affairs of the Company so that it does not become resident in the United Kingdom for taxation purposes. Accordingly, and provided that the Company does not carry on a trade in the United Kingdom (whether or not through a permanent establishment situated therein), the Company will not be subject to United Kingdom income tax or corporation tax other than on United Kingdom source income.

13.3 UK taxation of dividends

No tax will be withheld by the Company when it pays dividends under current United Kingdom tax legislation.

13.3.1 Individual Shareholders

An individual Shareholder, who is resident in the United Kingdom for United Kingdom tax purposes, or carrying on a trade in the United Kingdom through a branch or an agency, and who receives a dividend from the Company may, depending on his circumstances, be liable to United Kingdom income tax in respect of the amount of that dividend. Dividends received from the Company will be subject to United Kingdom income tax at the ordinary rate currently of 10% on the amount of the dividend in the hands of a United Kingdom-resident individual holder who is liable to United Kingdom income tax at the starting or basic rate. A United Kingdom-resident individual holder who is liable to United Kingdom income tax at the higher rate will generally be subject to United Kingdom income tax at the upper rate currently of 32.5% on the amount of the dividend. Whether a United Kingdom-resident individual holder is liable for United Kingdom income tax at the starting, basic or higher rate will depend on the particular circumstances of that holder.

The UK Government has announced its intention to introduce legislation to grant a non-payable tax credit (subject to certain financial limits) to UK resident or ordinarily resident individuals who are in receipt of dividends from non-UK resident companies. If such legislation is enacted, it would bring the taxation of dividends received from the Company by individual Shareholders who are resident or ordinarily resident in the UK more closely into line with the taxation of dividends received from UK resident companies by such Shareholders, in that the effect of the tax credit would be to reduce the effective rate of income tax payable in respect of such dividends from 32.5% of the dividend received to 25% of the dividend received. However, there can be no guarantee that these proposals will be enacted, and even if they are enacted the current proposals are only for the tax credit to be available for dividends paid after 5 April 2008. Only persons who own less than a 10% shareholding in the distributing non-UK resident company, and in total receive less than £5,000 of dividends a year from non-UK resident companies, will qualify for this tax credit.

13.3.2 Corporate Shareholders

A corporate holder of Shares, who is resident in the United Kingdom for United Kingdom tax purposes, or carrying on a trade in the United Kingdom through a permanent establishment in connection with which the Shares are held, will generally be liable to United Kingdom corporation tax on any dividends received from the Company. The standard rate of United Kingdom corporation tax is currently 30%, (reducing to 28% from 1 April 2008) however, a lower rate may apply to the Shareholder in question.

13.3.3 Non-resident Shareholders

Shareholders who are not United Kingdom resident or ordinarily resident will not generally be liable to UK taxation in respect of dividends paid by the Company unless they hold Shares for the purposes of a trade which is carried on in the UK through a branch, agency or other permanent establishment in the UK. Persons who are not resident in the United Kingdom should consult their own tax advisers concerning their tax liabilities on dividends received from the Company.

13.4 Taxation on capital gains for Shareholders

The Company is a closed-ended company incorporated in Guernsey and therefore the Company should not, as at the date of this document, be a “collective investment scheme” as defined in the Financial Services and Markets Act 2000. Accordingly, the provisions of section 757 to 764 of the Income and Corporation Taxes Act 1988 (the “Taxes Act”) should not apply. For so long as the Company is not a collective investment scheme, any disposal of Shares by a Shareholder may give rise to a chargeable gain, rather than income, for United Kingdom tax purposes.

13.4.1 United Kingdom resident Shareholders

A disposal of Shares by a Shareholder who is (at any time in the relevant United Kingdom tax year) either resident or, in the case of an individual, ordinarily resident in the United Kingdom for United Kingdom tax purposes, may, depending on the Shareholder’s circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom capital gains tax (in the case of an individual holder) or United Kingdom corporation tax on chargeable gains (in the case of a corporate holder), depending on the Shareholder’s circumstances, and subject to any available exemption or relief.

Individual Shareholders who are resident or ordinarily resident in the United Kingdom but not domiciled in the United Kingdom may only be liable to United Kingdom capital gains tax to the extent that any sums from the disposal of the Shares are remitted to the United Kingdom.

For Shareholders who are individuals, taper relief, and for Shareholders within the charge to United Kingdom corporation tax, indexation allowance, may reduce a chargeable gain but not create or increase any allowable loss. Individuals may also be entitled to an annual exemption, which is £9,200 for the tax year 2007-08.

13.4.2 Non-United Kingdom resident Shareholders

Shareholders who are not resident or ordinarily resident in the United Kingdom for tax purposes will not normally be liable to United Kingdom taxation on chargeable gains arising from a disposal of their Shares unless they carry on a trade, profession or vocation in the United Kingdom through a branch, agency or other permanent establishment in the UK in connection with which the Shares are held. However, such Shareholders may be subject to taxation in other jurisdictions depending on their personal circumstances.

A Shareholder who is not resident in the United Kingdom for tax purposes but who carries on a trade, profession or vocation in the United Kingdom through a branch, agency or other permanent establishment in the United Kingdom, may be liable to United Kingdom taxation on chargeable gains on a disposal of Shares which are used or acquired for the purposes of the trade, profession, or vocation or for the purposes of the branch, agency or other permanent establishment.

A Shareholder who is an individual and who ceases to be resident or ordinarily resident in the United Kingdom for United Kingdom tax purposes for a period of less than five years and who disposes of the Shares during that period may also be liable on his return to the United Kingdom for United Kingdom capital gains tax (subject to any available exemption or relief), notwithstanding the fact that the individual may not be resident or ordinarily resident in the United Kingdom for United Kingdom tax purposes at the time of the disposal.

13.5 Stamp duty and stamp duty reserve tax (“SDRT”)

- 13.5.1 The following comments are intended as a guide to the general stamp duty and stamp duty reserve tax position and do not relate to persons such as market makers, brokers, dealers or intermediaries or where the Shares are issued to a depository or clearing system or its nominee or agent.
- 13.5.2 No United Kingdom stamp duty or stamp duty reserve tax should arise on the issue or allotment of new Shares by the Company pursuant to the Placing.
- 13.5.3 Provided that no register of members of the Company is kept in the United Kingdom by or on behalf of the Company (which the Company does not intend to do), no United Kingdom SDRT should be payable on any agreement to transfer the Shares. Further, United Kingdom stamp duty should not be payable on the transfer of the Shares provided the instrument of transfer is not executed in the United Kingdom and there is no matter or thing done in the United Kingdom.
- 13.5.4 The transfer of Shares into CREST for no consideration should not give rise to stamp duty or stamp duty reserve tax.

13.6 Other United Kingdom tax considerations

13.6.1 Controlled foreign company provisions

United Kingdom resident companies, together with connected or associated persons, having an interest in the Company, such that 25 per cent. or more of the Company’s profits for an accounting period could be apportioned to them, may be liable to United Kingdom corporation tax in respect of their share of the Company’s undistributed profits, if any, in accordance with the provisions of Chapter IV of Part XVII of the Income and Corporation Taxes Act 1988 relating to controlled foreign companies. These provisions only apply if the Company is controlled by United Kingdom residents.

13.6.2 Avoidance of income tax by transactions resulting in the transfer of income to persons abroad

Individuals who are ordinarily resident in the United Kingdom should note that Chapter 2 of Part 13 of the Income Tax Act 2007, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad, may render them liable to taxation in respect of any undistributed profits of the Company.

13.6.3 Attribution of capital gains to shareholders who own more than 10% of the Shares

The attention of United Kingdom Shareholders resident or ordinarily resident and, if an individual, domiciled in the United Kingdom, is drawn to the provisions of Section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to a Shareholder who holds, alone or together with associated persons, more than 10 per cent. of the Shares.

13.6.4 Individual Savings Accounts (“ISAs”) and Personal Equity Plans (“PEPs”)

Shares in the Company will not be eligible to be held in the stocks and shares component of an ISA or an existing PEP.

13.6.5 Self-invested Personal Pension Schemes (“SIPPs”)

The Personal Pension Scheme (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 provide that investments which may be held directly or indirectly for the purposes of a SIPP include shares which are dealt in on AIM.

14. Guernsey taxation

14.1 The Company

Confirmation has been sought and obtained from the Administrator of Income Tax that, under current law and practice in Guernsey, the Company will qualify for exempt status and only be liable to tax in Guernsey in respect of income arising in Guernsey, other than bank deposit interest. A fee, currently £600 per annum, is payable to the States of Guernsey Income Tax Office in respect of the

Company's exempt status. It is not anticipated that any income other than bank interest will arise in Guernsey and therefore the Company is not expected to incur any additional liability to Guernsey tax.

On 25 November 2002, the Advisory and Finance Committee of the States of Guernsey (now replaced by the States of Guernsey Policy Council) announced a proposed framework for a structure of corporate tax reform within an indicative timescale. At the end of September 2005, the Fiscal and Economic Policy Steering Group published a second consultation document on Guernsey's future economic and taxation strategy. That document confirmed the earlier recommendation that the general rate of income tax paid by Guernsey companies, including the Company, would be reduced to 0% in respect of the tax year 2008 and subsequent years. The changes, if implemented, will mean that the Company will become a Guernsey resident company subject to zero rate of Guernsey tax. No further changes are proposed that would impact upon the position of non-Guernsey resident holders of Shares. Such holders will not be subject to Guernsey tax on the redemption or disposal of their holding of Shares.

The Policy Council has stated that it may consider further revenue raising measures in 2011/2012, including possibly the introduction of a goods and services tax, depending on the state of Guernsey's public finances at that time.

14.2 EU Savings Tax Directive

Although not a Member State of the European Union, Guernsey in common with certain other jurisdictions has agreed to apply equivalent measures to those contained in the EU Savings Tax Directive (2003/48/EC), with the exception that the EU resident individual to whom interest is paid will suffer a retention tax on such payment (currently set at a rate of 15%) where they have not agreed to exchange certain information about their identity, residence and savings income with the tax authorities in their Member State of residence.

Guernsey does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax), gifts, sales or turnover, nor are there any estate duties, save for an *ad valorem* fee for the grant of probate or letters of administration. On the basis that the Company has the power to issue unlimited numbers of shares of nil par value, a document duty of £300 was paid on incorporation of the Company. No further document duty will be payable. No stamp duty is chargeable in Guernsey on the issue, transfer or redemption of Shares.

14.3 Shareholders

Shareholders resident outside Guernsey will not be subject to any tax in Guernsey in respect of any Shares owned by them. Shareholders who are resident for tax purposes in Guernsey will incur Guernsey tax on any dividends paid on Shares owned by them. Whilst the Company is no longer required to deduct Guernsey income tax from dividends on any Share paid to Guernsey residents, the Company is required to make a return to the Administrator of Income Tax, on an annual basis, when renewing the Company's exempt tax status, as described above, of the names, addresses and gross amounts of income distributions paid to Guernsey resident Shareholders during the previous year.

15. Working capital

The Directors, having made due and careful enquiry, are of the opinion that following Admission and after taking into account the net proceeds of the Placing receivable by the Company, the working capital available to the Group will, from the date of Admission, be sufficient for its present requirements, that is at least for the period of 12 months from Admission.

16. Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.

17. No significant change

There has been no significant change in the financial or trading position of the companies which will on Admission comprise the Group since 14 June 2007, the date of incorporation of the Company.

18. Consents

- 18.1 Kost Forer Gabbay & Kasierer (a member of Ernst & Young Global), of 3 Aminadav Street, Tel Aviv 67067, Israel, has given and not withdrawn its written consent to the inclusion of the accountants' reports in Part IX of this document and the references thereto and to its name in the form and context in which they are included in this document. Kost Forer Gabbay & Kasierer has no material interest in the Company.
- 18.2 Savills, Chartered Surveyors of 20 Grosvenor Hill, London W1X 3HQ, has given and not withdrawn its written consent to the inclusion of the valuation report in Part X of this document and the references thereto and to its name in the form and context in which they are included in this document. Savills has no material interest in the Company.

19. General

- 19.1 The total costs and expenses relating to the Placing payable by the Company (assuming no exercise of the Over-allotment Option) are estimated to amount to approximately £6.1 million (excluding VAT). The total net proceeds of the Placing (assuming no exercise of the Over-allotment Option), after settling fees, will be £78.9 million.
- 19.2 In making any investment decision in respect of the Placing, no information or representation should be relied on in relation to the Placing, the Group or the Shares, other than as contained in this document. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised. Neither the delivery of this document nor any subscription made under it shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date of this document.
- 19.3 Save as otherwise disclosed in this document, there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.
- 19.4 No person (excluding professional advisers or as otherwise disclosed in this document and trade suppliers) has:
- (a) received, directly or indirectly, from the Company within the 12 months preceding the date of application for Admission; or
 - (b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission,
- any of the following:
- (i) fees totalling £10,000 or more;
 - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 19.5 The amount and percentage of immediate dilution resulting from the Placing and the art'otel Acquisition Agreement is 15,942,292 Shares, amounting to 38.9% dilution, assuming no exercise of the Over-allotment Option.
- 19.6 Save as otherwise disclosed in this document, no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years immediately preceding the date of this document.

- 19.7 Save as disclosed in sections 4 and 6.2 of this Part XI, on Admission no share or loan capital of the Company or any other member of the Group will be under option or will be agreed conditionally or unconditionally to be put under option.
- 19.8 Other than pursuant to the Placing, none of the Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the Shares to be admitted to AIM.
- 19.9 The Placing Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the Placing Shares not to be held through CREST will be posted to allottees by 31 July 2007. Placing Shares to be held through CREST will be credited to CREST accounts on Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and otherwise than by a written instrument. The Articles of association will permit the holding of Shares in CREST.

Dated 12 July 2007

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“2006 Act”	the Companies Act 2006 (UK) (as amended)
“Admission”	the admission of the Shares, in issue and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with the AIM Rules
“ADR”	average daily rate
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies and/or the AIM Rules for Nominated Advisers (as appropriate)
“AIM Rules for Companies”	the AIM rules for companies published by the London Stock Exchange governing admission to and trading on AIM from time to time
“AIM Rules for Nominated Advisers”	the AIM rules for nominated advisers published by the London Stock Exchange from time to time
“AP Descendants’ Trust”	a trust established under the laws of the Cayman Islands for the children of Mr Avner Papouchado
“art’otel Acquisition Agreement”	the agreement dated 4 May 2007 between PPHE B.V. and PPHEG as buyer and CCS as seller in relation to the sale and purchase of the art’otel brand, further details of which are set out in section 10.5 of Part XI of this document
“Articles”	the articles of association of the Company to be adopted on Admission, a summary of which is set out in section 5 of Part XI of this document
“Atlantic Pacific”	Atlantic Pacific Enterprises B.V., a company incorporated in The Netherlands and a member of the Red Sea Group
“Broker”	Morgan Stanley Securities Limited
“BVI”	British Virgin Islands
“Carlson” or “CHW”	Carlson Hotels Worldwide, Inc. either alone or together with one or more of its affiliates or one or more of its affiliates
“CCS”	CCS Capital Concept Service GmbH, a company incorporated in Germany and controlled by the founder of the art’otel brand
“certificated” or “in certificated form”	not in uncertificated form (that is, not in CREST)
“Combined Code”	the code of best practice published in July 2003 by the Financial Reporting Council
“committed projects”	projects in relation to which the Group has entered into legally binding arrangements
“Companies Law”	the Companies (Guernsey) Law 1994 (as amended)
“Company”	Park Plaza Hotels Limited, a company incorporated in Guernsey (except for the purposes of parts A and B of Part IX)
“Completion”	completion of the Reorganisation Umbrella Agreement
“CREST”	the computerised settlement system operated by Euroclear which facilitates the transfer of title to shares in uncertificated form

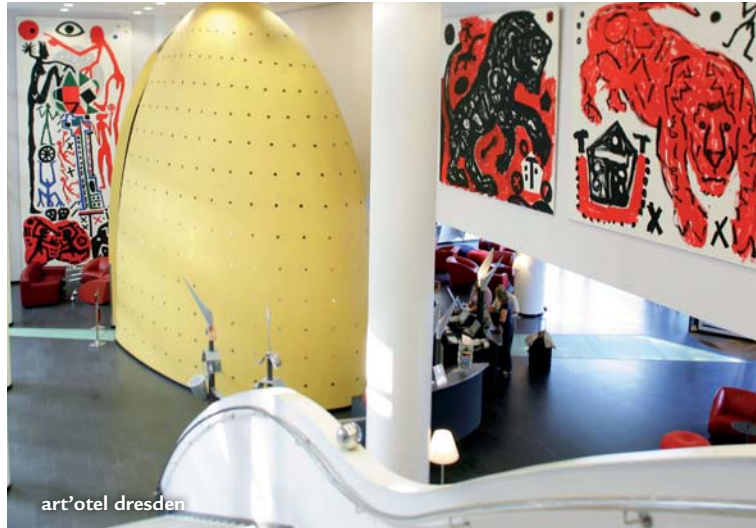
“CREST Guernsey Requirements”	rule 22 and such other rules and requirements of Euroclear as may be applicable to issuers as from time to time specified in the CREST Manual
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (as amended) (SI 2001/3755)
“CRS”	the Carlson Central Reservation System
“Descendants’ Trusts”	the AP Descendants’ Trust and the YP Descendants’ Trust
“Directors” or “Board”	the directors of the Company as at Admission, whose names are set out on page 2 of this document
“Disclosure and Transparency Rules”	the Disclosure and Transparency Rules (UK) of the FSA (as amended)
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Elscint”	Elscint N.V. a wholly-owned subsidiary of Elbit Medical Imaging Ltd., a company listed on NASDAQ
“EMEA”	Europe, the Middle East and Africa
“Enlarged Share Capital”	the number of Shares in issue at Admission following the Placing and the issue of Shares pursuant to the art’otel Acquisition Agreement
“Ernst & Young”	Kost Forer Gabbay & Kasierer (a member of Ernst & Young Global)
“EU”	European Union
“Euroclear”	Euroclear UK and Ireland Limited, the operator of CREST
“Euro Plaza”	Euro Plaza Holdings B.V., a company incorporated in The Netherlands and a member of the Red Sea Group
“Euro Sea”	Euro Sea Hotels N.V., a company incorporated in The Netherlands
“Euro Sea Group”	Euro Sea and its subsidiaries as at Admission
“FSA”	the Financial Services Authority of the United Kingdom
“FSMA”	the Financial Services and Markets Act 2000, as amended
“GDP”	gross domestic product
“Golden Wall”	Golden Wall Investment Ltd, a company incorporated in the B.V.I
“Goldman Sachs Equity Investment Letter”	the letter from the Company to GSI pursuant to which GSI will subscribe £20 million for Shares at the Placing Price as part of the Placing
“Grandis”	Grandis Netherlands Holding B.V., a company incorporated in The Netherlands
“Group”	the Company and its subsidiary undertakings and, prior to Admission, the companies which following Admission will form the Group (except for the purposes of parts A and B of Part IX)
“GSI”	Goldman Sachs International
“IFRS”	International Financial Reporting Standards
“Latest Practicable Date”	11 July 2007, being the latest practicable date before the publication of this document
“Lead Manager”	Morgan Stanley Securities Limited

“Leno”	Leno Hotel Holding B.V., a company incorporated in The Netherlands
“LIBOR”	London interbank offer rate
“Listing Rules”	the rules and regulations made by the FSA under Part VI of FSMA
“London Stock Exchange”	London Stock Exchange plc
“Mandarin Hotel”	The Mandarin Hotel B.V., a company incorporated in The Netherlands
“Marlbray”	Marlbray Limited, a company incorporated in England and Wales
“MENA”	Middle East and North Africa
“Molteno”	Molteno Limited a company incorporated in the British Virgin Islands and a member of the PPHE Group
“Morgan Stanley”	Morgan Stanley & Co. International plc, in its capacity as Nominated Adviser, and/or Morgan Stanley Securities Limited, in its capacity as Lead Manager, Sole Bookrunner, Underwriter, Broker and Stabilisation Manager, both of 25 Cabot Square, Canary Wharf, London E14 4QA
“NASDAQ”	National Association of Securities Dealers Automated Quotations System, an American stock market
“Nominated Adviser”	Morgan Stanley & Co. International plc
“Official List”	the official list of the UKLA
“Over-allotment Option”	the option granted to Morgan Stanley to require the Company to issue up to 1,550,000 additional Shares at the Placing Price, <i>inter alia</i> , to cover over-allotments or further allotments, if any, in connection with the Placing and to cover short positions resulting from stabilisation transactions, as contained in the Placing Agreement
“Over-allotment Shares”	up to 1,550,000 additional Shares to be made available under the Over-allotment Option
“Park Plaza Group”	the group of companies comprising PPHE Holdings and PHH (the holding company of the entities which own and operate the Park Plaza Vondel hotel) and their respective subsidiaries, Golden Wall (the entity which has entered into the Territorial Licence Agreement) and certain minority shareholdings 10% in Riverbank (the holding company of the entities which own and operate the Park Plaza Riverbank), 10% in Grandis (the holding company of the entities which own and operate the Park Plaza Sherlock Holmes hotel) and 5% in Victoria (the holding company of the entities which own and operate the Park Plaza Victoria hotel)
“PHH”	ParkVondel Hotel Holding B.V., a company incorporated in The Netherlands
“PHM”	ParkVondel Hotel Management B.V., a company incorporated in The Netherlands
“PHRE”	ParkVondel Hotel Real Estate B.V., a company incorporated in The Netherlands
“Placing”	the placing by Morgan Stanley, on behalf of the Company, of 15,450,000 Placing Shares on and subject to the terms and conditions of the Placing Agreement

“Placing Agreement”	the agreement dated 11 July 2007 between the Company, Euro Plaza, Molteno, Morgan Stanley and the Directors relating to the Placing, details of which are set out in section 10.1 of Part XI of this document
“Placing Price”	£5.50 per Placing Share
“Placing Shares”	the 15,450,000 Shares to be allotted and issued pursuant to the Placing (subject to increase on exercise of the Over-allotment Option), such allotment being conditional on Admission
“PPHE B.V.”	Park Plaza Hotels Europe B.V., a company incorporated in The Netherlands
“PPHEG”	Park Plaza Hotels Europe (Germany) B.V., a company incorporated in The Netherlands
“PPHE Group”	the group of companies controlled by the Princeton Trust
“PPHE Holdings”	Park Plaza Hotels Europe Holdings B.V., a company incorporated in The Netherlands
“Princeton Trust”	the Princeton Trust, a discretionary trust established under the laws of the British Virgin Islands by Boris Ivesha
“Prohibited Territories”	Australia, Canada, Japan and their respective territories and possessions
“Red Sea Group”	the group of companies headed by Peninsula International Enterprises Ltd., the ultimate controlling shareholders of which are the Descendants’ Trusts
“Register of Members”	the register of members of the Company from time to time
“Registrar”	Capita Registrars (Guernsey) Limited, the Company’s registrar
“Regulation S”	Regulation S under the Securities Act
“Relationship Agreements”	the agreements entered into between, respectively, the Company and Euro Plaza and the Company and Molteno, details of which are set out in section 12.3 of Part XI of this document
“Reorganisation”	the reorganisation which will establish the Group to be carried out pursuant to the Reorganisation Umbrella Agreement
“Reorganisation Umbrella Agreement”	the agreement entered into between the Company, Atlantic Pacific, Ciel Azure N.V., Coronation Management Limited and Molteno pursuant to which the Reorganisation will be effected details of which are set out in section 12.1 of Part XI of this document
“RevPAR”	revenue per available room
“Riverbank”	Riverbank Hotel Holding B.V., a company incorporated in The Netherlands
“Riverbank Op”	Riverbank Hotel Operator Limited, a company incorporated in England and Wales
“Savills”	Savills Commercial Limited
“Securities Act”	the United States Securities Act of 1933, as amended
“Shareholders”	holders of Shares
“Shares”	ordinary shares of nil par value in the capital of the Company

“Sherlock Holmes PP”	Sherlock Holmes Park Plaza Limited, a company incorporated in England and Wales
“Sole Bookrunner”	Morgan Stanley Securities Limited
“Stabilisation Manager”	Morgan Stanley Securities Limited
“Subsidiary”	as defined in sections 736 and 736A of the Act
“Suf”	Suf Holding B.V., a company incorporated in The Netherlands
“Takeover Code”	the UK City Code on Takeovers and Mergers
“Territorial Licence Agreement”	the Territorial Licence Agreement dated 30 September 2002 made between Park Global Holdings as licensor and Golden Wall as licensee, pursuant to which Golden Wall is granted an exclusive licence in relation to the “Park Plaza” brand
“UK Listing Authority” or “UKLA”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“uncertificated” or “in uncertificated form”	recorded in the register as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
“Underwriter”	Morgan Stanley Securities Limited
“US”, “USA” or “United States”	the United States of America, its territories and possessions, any state or political sub-division of the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America
“Utrecht Victoria Hotel”	Utrecht Victoria Hotel B.V., a company incorporated in The Netherlands
“Victoria”	Victoria London Hotel Holding B.V., a company incorporated in The Netherlands
“Victoria Hotel”	Victoria Hotel C.V., a Dutch partnership
“Victoria HMRS”	Victoria HMRS B.V., a company incorporated in The Netherlands
“Victoria HRI”	Victoria HRI B.V., a company incorporated in The Netherlands
“Victoria Monument”	Victoria Monument B.V., a company incorporated in The Netherlands
“Victoria PP Op”	Victoria Park Plaza Operator Limited, a company incorporated in England and Wales
“Victoria Pub”	Victoria Pub Holding B.V., a company incorporated in The Netherlands
“Victory I”	Victory Enterprises I B.V., a company incorporated in The Netherlands
“Victory II”	Victory Enterprises II B.V., a company incorporated in The Netherlands
“YP Descendants’ Trust”	a trust established under the laws of the Cayman Islands for the children of Mr Yoav Papouchado

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art'otel dresden



Park Plaza Nottingham



Park Plaza Victoria Amsterdam



Park Plaza Cardiff



art'otel berlin city center west



Park Plaza Victoria London



Park Plaza Sherlock Holmes London



Park Plaza Prenzlauer Berg Berlin



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