

PARK PLAZA HOTELS LIMITED
 (“Park Plaza” or “the Company”)

Park Plaza is an owner, operator, developer and franchisor of hotels

Unaudited results for the six months ended 30 June 2011

Highlights

- Strong first half trading performance with revenue and EBITDA growth.
- Significant benefit of hotel acquisitions and openings in 2010 is now being seen.
- Encouraging like for like performance reflecting recovery in the European hotel market.
- Refinancing of existing banking facilities for Park Plaza Westminster Bridge London.
- Admission to the standard listing segment of the Official List and to the main market of the London Stock Exchange in June 2011.

Commenting on the results, Boris Ivesha, President and Chief Executive Officer, Park Plaza said:

“Park Plaza has delivered a strong trading performance in the first half of 2011. We have benefitted from acquisitions and development activity in 2010 as well as a continued recovery in the European hotel market and as a result delivered year on year occupancy, average room rate and RevPAR growth over the period.

The trends seen in the first half have been maintained into the start of the second half of the year, with improvements in year on year RevPAR across all the regions in which Park Plaza operates. We remain focused on our growth strategies of driving top line growth and maintaining operational efficiency whilst continuing to expand our portfolio of hotels through acquisitions, joint ventures and developments.”

Key Financial Statistics

	Reported			Like for like*		
	Six months ended 30 June 2011	Six months ended 30 June 2010	% change [#]	Six months ended 30 June 2011	Six months ended 30 June 2010	% change [#]
Total revenue	€95.9 million	€54.8 million	+75.2%	€66.1 million	€54.8 million	+20.7%
EBITDAR	€34.1 million	€15.8 million	+115.7%	€30.3 million	€15.8 million	+92.0%
EBITDA	€29.2 million	€10.4 million	+179.4%	€21.5 million	€10.4 million	+106.0%
Profit before tax	€1.4 million	€(5.3) million	-	-	-	-
Occupancy	75.5%	73.2%	-	78.4%	73.2%	-
Average room rate	€118.2	€107.5	+9.9%	€121.7	€107.5	+13.2%
RevPAR	€89.3	€78.7	+13.4%	€95.4	€78.7	+21.2%

**The like for like figures exclude Park Plaza Nottingham and Park Plaza Leeds entirely, Park Plaza Westminster Bridge London for the first two months of 2011, Park Plaza Amsterdam Airport for the first four months of 2011 and art'otel cologne for the first two months of 2011. The financial contribution of Park Plaza Sherlock Holmes London, Park Plaza Victoria London and Park Plaza Riverbank London (including Plaza on the River) in 2011 in the like for like comparison has been calculated on the basis of the ownership interest of Park Plaza in those hotels during the six months ended 30 June 2010.*

[#]Percentage change figures are calculated from actual figures as opposed to the rounded figures included in the above table.

Unless otherwise indicated, all figures in this report compare six months ended 30 June 2011 with six months ended 30 June 2010. All financial information in this report for room revenue, total revenue, EBITDAR and EBITDA, reflects Park Plaza's interest.

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INTERIM MANAGEMENT REPORT

This Interim Management Report discusses the performance of the Group for the six months ended 30 June 2011.

OVERVIEW

Park Plaza is pleased to report a strong trading performance for the six months to 30 June 2011. Occupancy, average room rate and Revenue Per Available Room ("RevPAR") grew year on year on a reported and like for like basis as the Company benefited from its new hotel acquisitions and development activity in 2010 and a continued recovery in the European hotel market.

BUSINESS UPDATE

Park Plaza has a high quality portfolio with an attractive geographical spread which reflects its integrated approach to hotel and brand ownership and operation. The Company remains focused on expanding its presence in the affordable luxury market segment through acquisitions, joint ventures and development whilst continuing to drive top line growth and maintaining operational efficiency, particularly through leveraging its relationship with Carlson, which provides a powerful distribution network.

In recent years the Company has significantly expanded its hotel portfolio through both new hotel acquisitions and hotel developments which have positioned the Company as an established and growing hotel owner and operator.

During the first half, on 2 June 2011, Park Plaza was pleased to announce the successful refinancing of existing banking facilities for Park Plaza Westminster Bridge London.

On 30 June 2011, Park Plaza migrated its listing from AIM to the standard listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities. The Directors believe that this move should improve liquidity in the Company's shares, raise Park Plaza's profile both domestically and internationally and give rise to greater funding opportunities in the future.

Since the period end, the Company has extended its development pipeline. On 12 July 2011, contracts were exchanged for the acquisition of a site in Park Royal, London and the process of applying for planning permission to construct a new hotel on the site is underway. On 22 July 2011, Park Plaza entered into a joint venture agreement to acquire a site in Pattaya Bay, Thailand for a mixed use development including an upscale hotel. This acquisition was completed on 18 August 2011.

Awards

In the first half of 2011, Park Plaza won the Business Travel Award in the 'Best Small or Independent Hotel Chain' category and 'UK In Bound Award for Excellence for Large Accommodation Provider'.

Park Plaza County Hall London won the *HRS Excellence Award* for 'Best Family Friendly Hotel' and its Spectrum Restaurant was awarded an AA Rosette.

FINANCIAL PERFORMANCE

Reported total revenue grew by 75.2% to €95.9 million (H1 2010: €54.8 million), primarily driven by six month contributions from Park Plaza Westminster Bridge London, Park Plaza Amsterdam Airport and art'otel cologne which were added to the hotel portfolio during 2010 as well as 100% ownership of Park Plaza Riverbank London (including Plaza on the River), Park Plaza Victoria London and Park Plaza Sherlock Holmes London. On a like for like basis, revenue grew by 20.7%, reflecting a very strong underlying performance on the back of continued recovery in the hotel market.

Reported RevPAR increased by 13.4% to €89.3 (H1 2010: €78.7), driven by a 9.9% increase in average room rate. On a like for like basis, period on period RevPAR growth in the United Kingdom, The Netherlands,

Germany and Hungary resulted in group RevPAR growth of 21.2% to €95.4 driven by a 13.2% improvement in average room rate and a 5.2% increase in occupancy.

The Company also focused on driving growth in food, beverage and conference and banqueting revenue which accounts for approximately a quarter of total revenue.

Reported EBITDA increased by 179.4% to €29.2 million (H1 2010: €10.4 million), primarily due to contributions from the additional hotels in the portfolio and the increased ownership share of hotels in the first half compared to the same period last year. A €0.9 million reduction in losses in Germany to a loss of €1.0 million (H1 2010: loss of €1.9 million) also contributed to this result. On a like for like basis, EBITDA increased by 106.0% to €21.5 million, reflecting strong trading performances in Park Plaza's established hotel portfolio.

Reported profit before tax was €1.4 million (H1 2010: loss of €5.3 million). The profit relates mainly to the increased EBITDA contribution. In addition the group faced a one-off expense due to the costs associated with its migration from AIM to the Official List of €1.4 million, €4.4 million of additional finance expenses due to revaluation of derivative financial instruments and income from forfeited deposits relating to the sale of units in Park Plaza Westminster Bridge London amounting to €0.6 million. Profit before tax also included an amount of €2.2 million, which arose from the final settlement of the construction contract for the Park Plaza Riverbank London. The construction contract was with Gear Construction Management Limited which is 50% owned by the Red Sea Group. As a result, basic and diluted earnings/loss per share was €0.04 (H1 2010: loss of €0.13).

REVIEW OF OPERATIONS

United Kingdom

	Reported in Euros (€)		Like for like* in Euros (€)	
	Six months ended 30 June 2011	Six months ended 30 June 2010	Six months ended 30 June 2011	Six months ended 30 June 2010
Total revenue	€66.5 million	€28.3 million	€38.8 million	€28.3 million
EBITDAR	€22.6 million	€7.7 million	€19.5 million	€7.7 million
EBITDA	€21.8 million	€7.4 million	€14.0 million	€7.4 million
Occupancy	80.9%	75.9%	84.3%	75.9%
Average room rate	€141.7	€134.8	€151.7	€134.8
RevPAR	€114.6	€102.4	€127.9	€102.4
Room revenue	€46.8 million	€19.4 million	€27.6 million	€19.4 million

	Reported in local currency GBP (£)		Like for like* in local currency GBP (£)	
	Six months ended 30 June 2011	Six months ended 30 June 2010	Six months ended 30 June 2011	Six months ended 30 June 2010
Total revenue	£58.3 million	£24.4 million	£34.2 million	£24.4 million
EBITDAR	£19.8 million	£6.6 million	£17.1 million	£6.6 million
EBITDA	£19.1 million	£6.4 million	£12.1 million	£6.4 million
Occupancy	80.9%	75.9%	84.3%	75.9%
Average room rate	£124.1	£116.4	£132.9	£116.4
RevPAR	£100.4	£88.4	£112.1	£88.4
Room revenue	£41.1 million	£16.7 million	£24.2 million	£16.7 million

*The like for like figures exclude Park Plaza Nottingham and Park Plaza Leeds entirely and Park Plaza Westminster Bridge London for the first two months of 2011. The financial contribution of Park Plaza Sherlock Holmes London, Park Plaza Victoria London and Park Plaza Riverbank London (including Plaza on the River) in 2011 in the like for like comparison has been calculated on the basis of the ownership interest of Park Plaza in those hotels during the six months ended 30 June 2010.

The United Kingdom hotel market

The London hotel market performed strongly in the first half of 2011 with RevPAR to the end of June 2011 up 10.2%, as a result of increased average room rates (TRI Hospitality Consulting, June 2011). In particular,

London has benefited from the return of demand from corporate as well as leisure customers aided by the weakness of Sterling. The provincial hotel market has not seen the same level of recovery, nevertheless RevPAR grew a modest 2.1% in the first six months compared to the same period last year (TRI Hospitality Consulting June 2011).

Hotel portfolio performance

In local currency, reported occupancy, average room rate and RevPAR for Park Plaza's hotel portfolio increased period on period, driven by a strong performance of the Company's London hotels, all of which outperformed their competitive sets in terms of RevPAR (2011 STR Global) with Park Plaza Victoria London performing particularly well. On a like for like basis and in local currency, RevPAR for the Company's London hotels was £112.1 compared to £104.0 for the competitive set (2011 STR Global).

Although the provincial hotel market is less buoyant than that for London, Park Plaza Nottingham delivered a solid performance with occupancy, average room rate and RevPAR outperforming its competitive set (2011 STR Global).

Reported total revenue increased by 135.3%, primarily as a result of contributions from Park Plaza Westminster Bridge London and 100% ownership of the Company's three other London hotels. On a like for like basis, and in local currency, total revenue increased by 37.3%.

Revenue from food, beverage and other sources, which includes conference and banqueting operations, accounted for 29.6% of revenue in the United Kingdom. During the period reported food, beverage and other revenue increased by 121.9%, primarily reflecting a six month contribution from Park Plaza Westminster Bridge London, which has state of the art conferencing facilities and a 200-seat signature restaurant called Brasserie Joël. On a like for like basis, food, beverage and other revenue increased by 25.9%. Although the London conference and banqueting market has performed well in the first half, the trend towards later bookings has continued as corporate customers and consumers remain cautious about the economic outlook.

Renovation projects and development pipeline

In the first half, renovation of Park Plaza Leeds commenced with the refurbishment of the ground floor, public areas and Chino Latino. In addition, the refurbishment of 96 rooms commenced with completion due in the third quarter of 2011. The refurbishment of the remaining 89 rooms will commence in October 2011 and is scheduled to complete in the first quarter of 2012. Construction will begin in late 2011/early 2012 on the United Kingdom's first art'otel, which will be located in the popular Hoxton area of London.

Post the period end, on 12 July 2011 Park Plaza group exchanged contracts to acquire 628 Western Avenue, Park Royal, London W3 for £6.0 million. This is a gateway site with prime frontage onto the A40, a major arterial route into Central London, and is situated directly opposite Park Royal underground station. The Company is in the process of applying for planning permission to construct a new hotel at the front of the site.

The Netherlands

	Reported		Like for like*	
	Six months ended 30 June 2011	Six months ended 30 June 2010	Six months ended 30 June 2011	Six months ended 30 June 2010
Total revenue	€11.8 million	€10.3 million	€10.8 million	€10.3 million
EBITDAR	€3.4 million	€3.2 million	€3.4 million	€3.2 million
EBITDA	€3.4 million	€3.1 million	€3.4 million	€3.1 million
Occupancy	73.6%	77.6%	82.6%	77.6%
Average room rate	€109.3	€105.3	€117.4	€105.3
RevPAR	€80.4	€81.7	€97.0	€81.7
Room revenue	€8.4 million	€7.3 million	€7.7 million	€7.3 million

*Like for like figures exclude Park Plaza Amsterdam Airport (acquired in April 2010) for the first four months of 2011.

The Dutch hotel market

The Amsterdam hotel market showed further recovery in the first half of 2011, with the return of both corporate and leisure customers and, as a result, RevPAR grew 15.6% period on period, driven by increased average room rates (TRI Hospitality Consulting, June 2011). The provincial city market has seen some improvement, albeit, slower than in Amsterdam.

Hotel portfolio performance

Reported RevPAR for Park Plaza's Dutch hotel portfolio reduced slightly following the acquisition of Park Plaza Amsterdam Airport in April 2010. This hotel, which is located outside Amsterdam's city centre, achieves a lower average room rate than Park Plaza's other Dutch hotels and this change in the hotel mix will continue to be reflected in future RevPAR performance. At this hotel, growth in occupancy, average room rate and RevPAR has outperformed its competitive set (STR Global, June 2011), as Park Plaza continues to reposition this hotel as an attractive conference venue, with state of the art facilities.

On a like for like basis, RevPAR increased by 18.7%, reflecting an 11.4% increase in average room rate and a 5.0% improvement in occupancy. In particular, Park Plaza Victoria Amsterdam and Park Plaza Vondelpark, Amsterdam performed well, with both of these hotels delivering improved occupancy, a significant growth in average room rate and RevPAR, outperforming their competitive sets in each of these metrics. (STR Global, June 2011). Park Plaza Utrecht and Park Plaza Eindhoven both outperformed their competitive sets in all key metrics (STR Global, June 2011).

Renovation projects and development pipeline

A number of major renovation projects were completed, are underway or planned across the Dutch hotel portfolio.

In the first half, the renovation of 164 rooms in the 'Garden Wing' and some meeting rooms at Park Plaza Victoria Amsterdam was completed and the 'Garden Wing' was subsequently renamed the 'Urban Wing'. At Park Plaza Eindhoven, the renovation of 50 rooms including the creation of two additional rooms, and four meeting rooms was undertaken and completed. In the second half of the year, renovations at Park Plaza Amsterdam Airport to refurbish the ground floor, food and beverage outlets, reception area and fitness centre are scheduled to commence and are expected to complete by the end of 2011. In addition, remaining meeting rooms at Park Plaza Victoria Amsterdam will be refurbished and a renovation of 40 rooms at Park Plaza Utrecht is planned.

Progress continues on the construction of Amsterdam's first art'otel in the city centre near to Amsterdam's Central Station. This 105 room hotel is expected to open in 2012.

Germany and Hungary

	Reported		Like for like*	
	Six months ended 30 June 2011	Six months ended 30 June 2010	Six months ended 30 June 2011	Six months ended 30 June 2010
Total revenue	€14.3 million	€12.3 million	€13.3 million	€12.3 million
EBITDAR	€3.2 million	€2.9 million	€3.0 million	€2.9 million
EBITDA	€(1.0) million	€(1.9) million	€(0.9) million	€(1.9) million
Occupancy	67.0%	66.4%	67.5%	66.4%
Average room rate	€72.7	€67.2	€71.5	€67.2
RevPAR	€48.7	€44.6	€48.2	€44.6
Room revenue	€10.7 million	€9.1 million	€9.9 million	€9.1 million

*The like for like figures exclude art'otel cologne for the first two months of 2011.

The German and Hungarian hotel market

Germany continues to be one of the most competitive European hotel markets. Oversupply of hotel rooms, particularly in Berlin and Dresden where new hotels have opened in the period, continues to be a significant feature of the market and as a result period on period RevPAR decreased by 2.1% reflecting, pressure on average room rates (STR Global, June 2011) and the strong prior year comparison which was supported by a Government reduction in VAT in January 2010. The Budapest market saw a recovery during the period reporting a 15.9% improvement in RevPAR, driven by increased occupancy (TRI Hospitality Consulting, June 2011), primarily as a result of Hungary holding the EU presidency from January to June 2011.

Hotel portfolio performance

Despite the challenging market conditions Park Plaza delivered an improved performance with period on period growth in occupancy, average room rate and RevPAR. art'otel berlin city center west, art'otel berlin mitte, Park Plaza Prenzlauer Berg Berlin and Park Plaza Wallstreet Berlin outperformed their competitive sets in terms of occupancy (Fairmas, June 2011), but average room rates were under pressure in the period. art'otel cologne, which was opened in March 2010, has performance ahead of expectations as a result of more robust average room rate than anticipated and its strong food and beverage and conference and banqueting operations.

art'otel budapest delivered an improved performance in the first half, with period on period occupancy, average room rate and RevPAR growth. The growth in all these metrics was ahead of its competitive set (STR Global, June 2011). Following the renegotiation of the lease for this hotel in 2010 and increased demand, the financial performance of this hotel improved.

Renovation projects and development pipeline

At art'otel budapest, a renovation programme to refurbish all the rooms and public areas at the hotel is due to commence in the fourth quarter of 2011 and is expected to be completed in 2012.

Work is progressing well on the 61 room extension at art'otel berlin city center west. This project also includes the refurbishment of the ground floor, the addition of two meeting rooms and a new wellness centre. Construction of the extension is scheduled to complete by the end of 2011 and is due to open in the first quarter of 2012.

Progress at Park Plaza Nuremberg continues with construction of the new hotel expected to commence late 2011/early 2012. It is anticipated that the hotel will open in 2013.

Management and Holdings

	Reported	
	Six months ended 30 June 2011	Six months ended 30 June 2010
Total revenue	€14.5 million	€8.4 million
Revenue elimination	€(11.2) million	€(4.5) million
Total revenue	€3.3 million	€3.9 million
EBITDA	€5.0 million	€1.8 million

Reported Management and Holdings operation revenue reduced by 16.6%, after the elimination of intra group revenue as a result of the Company acquiring Park Plaza Leeds and Park Plaza Nottingham, which were previously managed by Park Plaza under contract, and the acquisition of the remaining shareholding in

Park Plaza Riverbank London (including Plaza on the River), Park Plaza Victoria London and Park Plaza Sherlock Holmes London in the fourth quarter of 2010. Following such acquisitions, Management and Holding revenue attributable to these hotels is classified as intra group revenue and is eliminated upon consolidation, however, management fees from these hotels contribute to the EBITDA performance.

Reported EBITDA increased by 177.2%, as a result of increased management fees received, particularly from Park Plaza Westminster Bridge London, and reflecting the recovery in the hotel markets in which the Company operates.

Other renovation projects and development opportunities

In Croatia, two renovation projects within the Arenaturist portfolio were completed in the first half to upgrade restaurant, bar and pool areas at Hotel Medulin and the Horizont and Splendid Resorts and major renovation projects at Hotel Histria and Punta Verudela resort are due to commence in the second half of the year which, following completion of the renovations (expected in 2012), will be rebranded Park Plaza. The back office property management IT system was upgraded in the first half which will improve reporting functionalities and controls on rate and occupancy.

Following the period end, on 22 July 2011, Park Plaza entered into a joint venture agreement with Kitaria Holdings Limited ("Kitaria") to acquire a site located in Pattaya Bay, Thailand. This agreement allows the Park Plaza group to expand into Asia with the development of a 40,000 square metre mixed-used complex including a 100 room upscale hotel. Under the terms of the joint venture the Park Plaza group will manage the hotel to be constructed on the site. On 18 August 2011, the Park Plaza group exercised its option to acquire Kitaria's shares in the joint venture which resulted in the Park Plaza holding 100% of the votes in the joint venture and 90% of the profit participation. Completion of the acquisition of the Thai company which holds the site took place on the same day.

FINANCIAL POSITION

Net debt reduced to €359.4 million as at 30 June 2011 (€369.9 million as at 31 December 2010). Total debt is €385.1 million as at 30 June 2011 (€400.8 million as at 31 December 2010). This includes €25.6 million of liquid assets (€30.9 million as at 31 December 2010), of which cash and cash equivalents were €23.4 million (€25.6 million as at 31 December 2010) and other liquid financial assets of €2.2 million (€5.3 million as at 31 December 2010).

During the period, the movement in net debt was primarily due to foreign currency impact on the translation of loans from Sterling into Euros which reduced net debt by €14.4 million.

Approximately €16.5 million of restricted cash relates to forfeited deposits held in connection with the aborted sales by the group of units in Park Plaza Westminster Bridge London.

The refinancing of the Company's existing banking facilities for Park Plaza Westminster Bridge London with Bank Hapoalim for a further seven years until 1 June 2018 was completed in June 2011. The amended facilities are for an overall amount of £115.0 million, which includes a new facility of £21.1 million for working capital, general corporate purposes and projects.

DIVIDEND

The Board is not proposing to recommend payment of an interim dividend with respect to the period ended 30 June 2011. Subject to compliance with Guernsey law and the retention of proper and prudent reserves by the Company, the Board intends to recommend the payment of an annual dividend of at least 3p per share commencing in 2012, assuming no change of the issued share capital of the Company.

OUTLOOK

The trends seen in the first six months of 2011 have continued into the start of the second half of the year with improvements in period on period RevPAR across all the regions in which Park Plaza operates. The

Company continues to trade in line with the Board's expectations but remain vigilant as to the effects of the civil unrest in the UK and the continued uncertainty in the global financial markets.

The Company remains focused on its growth strategies of driving top line growth and maintaining operational efficiency whilst continuing to expand its portfolios of hotels through acquisitions, joint ventures and developments.

PRINCIPAL RISKS AND UNCERTAINTIES

There are no changes to the risks and uncertainties as set out in the Company's consolidated financial statements for the year ended 31 December 2010, which may affect the Group's performance in the next six months. The most significant risks and uncertainties relate to factors that are common to the hotel industry and beyond the Group's control, such as the global economic downturn, changes in travel patterns or in the structure of the travel industry and the increase in acts of terrorism. For a detailed discussion of the risks and uncertainties facing the Group, please refer to the Company's 2010 annual report, pages 32 to 34.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that, to the best of their knowledge, these interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events which have occurred during the first 26 weeks and their impact on the condensed set of financial statements, plus a description of the principal risks and uncertainties for the remaining 26 weeks of the financial year.
- material related-party transactions in the first 26 weeks and any material changes in the related-party transactions described in the last annual report.

By order of the Board

18 August 2011

Boris Ivesha
President and Chief
Executive Officer

Chen Moravsky
Chief Financial Officer

Forward-looking statements

This interim management report and interim financial statements may contain certain "forward-looking statements" which reflect the Company's and/or the Directors' current views with respect to financial performance, business strategy and future plans, both with respect to the group and the sectors and industries in which the group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward-looking nature. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the group's actual results to differ materially from those indicated in these statements. Any forward-looking statements in this interim management report and interim financial statements reflect the group's current views with respect to future events and are subject to risks, uncertainties and assumptions relating to the group's operations, results of operations and growth strategy. These forward-looking statements speak only as of the date of this interim management report and interim financial statements. Subject to any legal or regulatory obligations, the Company undertakes no obligation publicly to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the group or individuals acting on behalf of the group are expressly qualified in their entirety by this paragraph. Nothing in this publication should be considered as a profit forecast.

INDEPENDENT REVIEW REPORT TO PARK PLAZA HOTELS LIMITED

Introduction

We have been engaged by the Company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the Interim Consolidated Balance Sheets, the Interim Consolidated Income Statements, the Interim Consolidated Statements of Comprehensive Income, the Interim Consolidated Statements of Changes in Equity, the Interim Consolidated Statements of Cash Flows and the explanatory notes 1 to 6. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
Guernsey
18 August 2011

INTERIM CONSOLIDATED BALANCE SHEETS

	30 June 2011	31 December 2010
	<u>Unaudited</u>	<u>Audited</u>
	€ '000	
ASSETS		
<u>NON-CURRENT ASSETS:</u>		
Intangible assets	41,024	42,313
Property, plant and equipment	585,369	605,242
Apart-hotel units sold to unit holders	155,714	160,586
Prepaid leasehold payments	239	244
Investment in an associate	21,192	22,140
Other non-current financial assets	29,064	27,389
	<u>832,602</u>	<u>857,914</u>
<u>CURRENT ASSETS:</u>		
Restricted deposits and cash	17,155	21,999
Inventories	1,241	1,351
Other current financial assets	1,611	1,671
Trade receivables	19,326	17,176
Other receivables and prepayments	6,882	9,557
Cash and cash equivalents	23,425	25,637
	<u>69,640</u>	<u>77,391</u>
Total assets	<u>902,242</u>	<u>935,305</u>

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

INTERIM CONSOLIDATED BALANCE SHEETS

	30 June 2011	31 December 2010
	<u>Unaudited</u>	<u>Audited</u>
	€ '000	
EQUITY AND LIABILITIES		
<u>EQUITY:</u>		
Issued capital	-	-
Share premium	237,729	237,729
Other reserves	(36,445)	(36,445)
Treasury shares	(1,083)	(1,083)
Foreign currency translation reserve	(39,464)	(36,507)
Hedging reserve	(405)	(1,087)
Retained earnings (accumulated deficit)	42,329	40,611
	<u>202,661</u>	<u>203,218</u>
<u>NON-CURRENT LIABILITIES:</u>		
Bank borrowings	371,857	261,570
Advance payments from unit holders	168,504	176,503
Other liabilities	62,643	65,299
Deferred tax liability	8,014	8,770
	<u>611,018</u>	<u>512,142</u>
<u>CURRENT LIABILITIES:</u>		
Trade payables	22,352	24,998
Deposits received from unit holders	16,613	18,234
Other payables and accruals	36,336	37,419
Bank borrowings	13,262	139,294
	<u>88,563</u>	<u>219,945</u>
Total liabilities	<u>699,581</u>	<u>732,087</u>
Total equity and liabilities	<u>902,242</u>	<u>935,305</u>

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

18 August, 2011
Date of approval of the
financial statements

Boris Ivesha
President and Chief
Executive Officer

Chen Moravsky
Chief Financial Officer

INTERIM CONSOLIDATED INCOME STATEMENTS

	Six months ended 30 June	
	2011	2010
	Unaudited	
	€ '000 ¹	
Revenues	95,909	54,751
Operating cost	<u>(61,854)</u>	<u>(38,960)</u>
EBITDAR	34,055	15,791
Rental expenses	<u>(4,876)</u>	<u>(5,409)</u>
EBITDA	29,179	10,382
Depreciation and amortisation	<u>(8,717)</u>	<u>(4,234)</u>
EBIT	20,462	6,148
Pre-opening expenses	-	(2,537)
Financial expenses	(10,954)	(10,820)
Changes in fair value of derivatives	(4,513)	-
Financial income	1,844	2,867
Other income, net	1,825	293
Interest expenses guaranteed to unit holders	(5,169)	(160)
Share in loss of associate	<u>(2,098)</u>	<u>(1,135)</u>
Income (loss) before taxes	1,397	(5,344)
Income tax benefit (expense)	<u>321</u>	<u>(156)</u>
Profit (loss) for the period	<u>1,718</u>	<u>(5,500)</u>
Basic and diluted earnings (loss) per share (in Euro)	<u>0.04</u>	<u>(0.13)</u>

¹ Except earnings per share

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	Unaudited	
	€ '000	
Profit (loss) for the period	1,718	(5,500)
Other comprehensive income (loss):		
Profit (loss) from available-for-sale financial assets	-	(297)
Reclassification adjustment for (profit) loss from available-for-sale financial assets recorded in income statement	-	195
Gain (loss) from cash flow hedges	682	(3,002)
Foreign currency translation adjustments of foreign operations	(2, 942)	3,915
Foreign currency translation adjustment of associate	(15)	41
Other comprehensive income (loss), net	(2,275)	852
Total comprehensive loss attributable to owners of the parent	(557)	(4,648)

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital ¹	Share premium	Other reserves	Treasury shares	Foreign currency translation reserve	Hedging reserve	Retained earnings (accumulated deficit)	Total
	€ '000							
Balance as at 1 January 2011 (audited)	-	237,729	(36,445)	(1,083)	(36,507)	(1,087)	40,611	203,218
Profit for the period	-	-	-	-	-	-	1,718	1,718
Other comprehensive loss for the period	-	-	-	-	(2,957)	682	-	(2,275)
Total comprehensive loss	-	-	-	-	(2,957)	682	1,718	(557)
Balance as at 30 June 2011 (unaudited)	-	237,729	(36,445)	(1,083)	(39,464)	(405)	42,329	202,661
Balance as at 1 January 2010 (audited)	-	236,000	(36,418)	(1,083)	(28,376)	(9,096)	(21,292)	139,735
Loss for the period	-	-	-	-	-	-	(5,500)	(5,500)
Other comprehensive income for the period	-	-	(102)	-	3,956	(3,002)	-	852
Total comprehensive income	-	-	(102)	-	3,956	(3,002)	(5,500)	(4,648)
Share-based payments	-	-	7	-	-	-	-	7
Balance as at 30 June 2010 (unaudited)	-	236,000	(36,513)	(1,083)	(24,420)	(12,098)	(26,792)	135,094

¹ No par value.

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June	
	2011	2010
	Unaudited € '000	
Cash flows from operating activities:		
Profit (loss) for the period	1,718	(5,500)
Adjustment to reconcile profit (loss) to cash used in operating activities:		
Financial expenses	20,636	10,980
Financial income	(1,844)	(2,867)
Income tax expense (income)	(321)	156
Negative goodwill on acquisition of Park Plaza Amsterdam Airport	-	(293)
Capital gain from obtaining control of a former jointly controlled entity	-	-
Share in loss of associates	2,098	1,135
Depreciation and amortisation	8,717	4,238
Share-based payments	-	7
	29,286	13,356
Changes in operating assets and liabilities:		
Increase in inventories under construction	-	(9,030)
Decrease (increase) in inventories	78	(321)
Increase in trade and other receivables	(4,748)	(7,904)
Increase (decrease) in trade and other payables	(4,788)	27,792
	(9,458)	10,537
Cash paid and received during the period for:		
Interest paid	(15,454)	(6,625)
Interest received	104	468
Taxes paid	-	131
Taxes received	-	(40)
	(15,350)	(6,066)
Net cash flows from operating activities	6,196	12,327

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June	
	2011	2010
	Unaudited	
	€ '000	
<u>Cash flows from investing activities:</u>		
Purchase of property, plant and equipment	(4,652)	(15,866)
Net change in cash upon acquisition of Park Plaza Amsterdam Airport (a)	-	(739)
Loans to jointly controlled entities and to partners in jointly controlled entities	(420)	(1,807)
Decrease (increase) in restricted deposits	3,973	(1,497)
Purchase of available for sale investment in securities	-	(387)
Purchase of available for sale investment in shares	-	(687)
Proceeds from sale of available for sale investment in bonds and securities	-	13,492
Proceeds from sale of available for sale investment in shares	-	89,731
Advance payments from unit holders	-	(41)
Decrease (increase) in restricted cash	-	(3,675)
Collection (granting) of loans to unit holders	2,067	(3,675)
Net cash flows from investing activities	<u>968</u>	<u>7,524</u>
<u>Cash flows from financing activities:</u>		
Increase in deposits from unit holders	-	1,337
Proceeds from long-term loans	105,956	-
Repayment of long-term loans	(1,398)	(1,847)
Repayment of loans stated at fair value	(3,129)	-
Decrease in short-term loans	(107,141)	(102,882)
Receipt (repayments) of loans from jointly-controlled entities and from partners in jointly-controlled entities	<u>(2,859)</u>	<u>1,456</u>
Net cash flows used in financing activities	<u>(8,571)</u>	<u>(101,936)</u>
Decrease in cash and cash equivalents	(1,407)	(11,085)
Net foreign exchange differences	(805)	1,462
Cash and cash equivalents at beginning of period	<u>25,637</u>	<u>34,418</u>
Cash and cash equivalents at end of period	<u>23,425</u>	<u>24,795</u>

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended	
	30 June	
	2010	2011
	Unaudited	
	€ '000	
(a) Net change in cash upon acquisition of Park Plaza Amsterdam Airport		
Current assets (excluding cash and cash equivalents)	-	393
Current liabilities	-	(536)
Non-current assets	-	15,293
Non-current liabilities	-	(14,000)
Negative Goodwill	-	(293)
Non cash transactions	-	(118)
Net change in cash upon acquisition of Schiphol	-	739
(b) Significant non-cash transactions:		
Purchase of inventories under construction and fixed assets	5,214	18,661
Issue of shares	-	-
Significant non-cash transactions	5,214	18,661

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

NOTE 1:- GENERAL

- a. The Company's primary activity is owning, leasing, developing, operating and franchising full-service four-star, four-star deluxe and lifestyle hotels in major gateway cities and regional centers, primarily in Europe.
- b. These financial statements have been prepared in a condensed format as of 30 June 2011 and for the six months then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual consolidated financial statements as of 31 December 2010 and for the year then ended and accompanying notes ("annual financial statements").
- c. As discussed in Note 1c to the annual financial statements, the Board of Directors continues to monitor the Group's cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements including compliance with loan covenants and liquidity risks arising from the maturities of the Group's loans.

The Board believes that the Group currently has adequate resources and in the future will generate sufficient funds to serve its financial obligations and continue its operations as a going concern in the foreseeable future.

- d. The Company is listed on the Standard Listing segment of the UK Listing Authority and its shares are admitted to trading on the main market for listed securities of the London Stock Exchange.

NOTE 2:- BASIS OF PREPARATION AND CHANGES TO THE GROUPS' ACCOUNTING POLICIES

- a. Basis of preparation:

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "Interim Financial Reporting".

The significant accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1. IAS 24 Related party Transactions (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

2. IAS 32 Financial instruments: Presentation (Amendment)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment had no effect on the financial position or performance of the Group.

3. IFRS 7 Financial Instruments - Disclosures

The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information in context. Such disclosures will be provided in the Groups annual financial statements

4. IAS 1 Presentation of Financial Statements

The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements. Accordingly, the Company has elected to present said disclosure in the notes accompanying the annual financial statements.

5. IAS 34 Interim Financial Statements

The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements. Any necessary disclosures are included in the interim financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- b. Other amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:
1. IFRS 3 Business Combinations - Clarification that contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008) are accounted for in accordance with IFRS 3 (2005).
 2. IFRS 3 Business Combinations - Unreleased and voluntarily replaced share-based payment awards and its accounting treatment within a business combination.
 3. IAS 27 Consolidated and Separate Financial Statements - applying the IAS 27 (as revised in 2008) transition requirements to consequentially amended standards.
 4. IFRIC 13 Customer Loyalty Programmes - in determining the fair value of award credits, an entity shall consider discounts and incentives that would otherwise be offered to customers not participating in the loyalty programmes.
 5. IFRS 3 Business Combinations - The measurement options available for non-controlling interest (NCI) have been amended.
 6. IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment) - The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements.

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

- a. In September 2008, Parkvondel Hotel Real Estate B.V. ("PHRE"), Parkvondel Hotel Holding B.V. ("PHH") and Parkvondel Hotel Management B.V. ("PHM"), entered into a €21.0 million secured term facility agreement with Aareal Bank AG as lender. The maturity date of this facility is 3 September 2013.

The Facility Agreement provides that the Borrowers must ensure that the aggregate amount of the outstanding facility do not exceed 70% of the value of the hotels as set out in the most recent valuation (LTV test). In addition, the Borrowers must ensure that, on each interest payment date, the Debt Service Cover Ratio ("DSCR" test) (the Net Operating Income of the hotels for each of the four preceding financial quarters relative to the principal, interest and other costs payable by the Borrowers for the next four financial quarters) is not less than 120%.

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD (Cont.)

As at 31 December 2010 and at 31 March 2011 PHRE, PHH and PHM failed the DSCR test and as at 31 March 2011 the aggregate amount of the outstanding Facility exceeded 70 per cent. of the hotel value. On 12 April 2011, the Company reached an agreement with the lender to reduce the principal Facility amount by €0.9 million in order to “cure” the position as at 31 December 2010 and at 31 March 2011 (DSCR test) and 31 March 2011 (LTV test). In addition, certain requirements under the Facility Agreements were waived for a period of 12 months ending 30 June 2012. As at 30 June 2011, the Borrowers are in compliance with the covenants.

- b. On 1 June 2011, Marlbray Limited a fully owned subsidiary (“Marlbray”) signed an agreement to refinance the existing facility of Park Plaza Westminster Bridge London with Bank Hapoalim for a further seven years until 1 June 2018. As at 1 June 2011, the outstanding amount of the facility was £93.9 million (€104.0 million).

The amended facility is split into two facilities (the “facilities”) for an overall amount of £115.0 million (€133.5 million) with the existing indebtedness as at the date of the agreement of £93.9 million (€109.0 million) remaining in place and a new facility of £21.1 million (€24.5 million) being added to finance working capital, general corporate purposes and certain projects.

The facilities are repayable commencing in September 2011 in quarterly installments for an amount equal to 2 per cent. per annum of the drawn amount until September 2016, and increasing increased to 2.5 per cent. per annum of the drawn amount until the maturity date of the facilities. The remaining balance of the principal is repayable on the final maturity date.

The facilities bear an interest of 2.65 per cent. per annum over 3-month Sterling LIBOR (which will increase by 2 per cent. on any part of the facilities that causes the loan to value ratio (as set out below) to exceed 70 per cent.). In addition, Marlbray has undertaken among others things to pay £125,000 per annum as an agency and security trustee fee.

The agreement provides that Marlbray must ensure that the aggregate amount of the outstanding facilities does not exceed 75 per cent. of the value of the hotel as set out in the most recent valuation. In addition, Marlbray must ensure that, on each interest payment date, the Debt Service Cover Ratio (‘DSCR’) (the Net Operating Income of the hotels for each of the four preceding financial quarters relative to the principal, interest and other costs payable by Marlbray for the next four financial quarters) is not less than 115 per cent. for the first year of the loan and thereafter 130 per cent. and that the DSCR is not less than the applicable percentages more than five times during the life of the facilities. On 22 June 2011, Marlbray entered into an interest rate swap agreement pursuant to which Marlbray swapped the variable interest rate of 3-month Sterling LIBOR plus 2.65 per cent. on an amount of £58.0 million to a fixed interest rate of 5.29 per cent. per annum until the maturity of the facility in June 2018 (for a swap agreement after the balance sheet date see Note 6(c)).

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD (Cont.)

- c. On 30 June 2011 the admission of the Company's entire issued ordinary share capital to the standard listing segment of the Official List of the UK Listing Authority and admission to trading on the main market for listed securities of London Stock Exchange plc ("Admission") became effective. Trading in the Company's ordinary shares on AIM was cancelled simultaneously.

The Company's ordinary shares continue to trade under the TIDM code PPH and the Company currently has 42,677,292 ordinary shares in issue (862,000 of which are held in treasury).

NOTE 4:- SEGMENT DATA

- a. For management purposes, the Group's activities are divided into Owned Hotel Operations and Management Activities. Owned Hotel Operations are further divided into three reportable segments: The Netherlands, Germany and Hungary, and the United Kingdom. The operating results of each of the aforementioned segments are monitored separately for the purpose of resource allocations and performance assessment. Segment performance is evaluated based on EBITDA, which is measured on the same basis as for financial reporting purposes in the statement of income.

	Six months ended 30 June 2011 (unaudited)					Consolidated
	The Netherlands	Germany and Hungary	U.K.	Management	Holding companies and adjustments	
	€ '000					
Revenue						
Third party	11,811	14,296	66,530	3,215	57	95,909
Inter-segment	-	-	-	11,280	(11,280)	-
Total revenue	<u>11,811</u>	<u>14,296</u>	<u>66,530</u>	<u>14,495</u>	<u>(11,223)</u>	<u>95,909</u>
Segment EBITDA	<u>3,400</u>	<u>(1,021)</u>	<u>21,774</u>	<u>5,960</u>	<u>(934)</u>	<u>29,179</u>
Depreciation and amortisation						(8,717)
Financial expenses						(15,467)
Financial income						1,844
Interest expenses on advance payments for unit holders						(5,169)
Other income, (net)						1,825
Share in loss of associate						(2,098)
Income before taxes						<u>1,397</u>

NOTE 4:- SEGMENTS DATA (Cont.)

	Six months ended 30 June 2010 (unaudited)					Consolidated
	The Netherlands	Germany and Hungary	U.K.	Management	Holding companies and adjustments	
	€ '000					
Revenue						
Third party	10,275	12,285	27,823	4,192	176	54,751
Inter-segment	-	-	389	4,261	(4,650)	-
Total revenue	<u>10,275</u>	<u>12,285</u>	<u>28,212</u>	<u>8,453</u>	<u>(4,474)</u>	<u>54,751</u>
Segment EBITDA	<u>3,143</u>	<u>(1,890)</u>	<u>7,373</u>	<u>2,336</u>	<u>(580)</u>	<u>10,382</u>
Depreciation and amortisation						(4,234)
Financial expenses						(10,820)
Financial income						2,867
Interest expenses on advance payments for unit holders						(160)
Negative goodwill on acquisition						293
Pre-opening expenses						(2,537)
Share in loss of associate						(1,135)
Loss before taxes						<u>(5,344)</u>

- b. The only material change in total assets since the 31 December 2010 financial statements arises from movements in the GBP/EURO exchange rates, amounting to € 27.2 million (including apart-hotel units sold to unit holders).

NOTE 5:- SIGNIFICANT RELATED PARTY TRANSACTIONS

- a. On 10 April 2008, the Group acquired a 20% interest in WH/DMREF Bora B.V. ("Bora"), the owner of 74 per cent of Arenaturist d.d., a public company listed on the Zagreb (Croatia) Stock Exchange, and 100 per cent. of three related private companies (together "the Arenaturist Group").

Under the shareholders' agreement dated 10 April 2008 in respect of Bora, Park Plaza Hotels Europe B.V. ("PPHE"), a wholly-owned subsidiary of the Company, has been appointed as the operator of the Bora hotels, resorts and campsites with a view to entering into an operating agreement, reflecting the principal commercial terms and conditions set forth in such shareholders' agreement.

In early 2011, PPHE entered into operating agreements with the Arenaturist Group, which included agreement on sales and marketing fees. Sales and marketing fees for 2009 and 2010 of €1.0 million were recorded in the income statement for the six month period ended 30 June 2011 as part of the total revenues.

NOTE 5:- SIGNIFICANT RELATED PARTY TRANSACTION (Cont.)

- b. In June 2011, Riverbank Hotel Holding B.V. ("Riverbank") entered into a settlement agreement with Gear Construction Management Limited ("Gear") regarding liquidated damages payable to Riverbank under the project management agreement due to the delayed practical completion of the project which had been planned for 2007. The settlement amount is GBP 1.9 million (€2.2 million).

The agreement was signed on 13 July 2011. The settlement amount was set off against a liability of Riverbank to Gear in connection with the construction of the hotel by Gear and was recorded as other income in the income statement for the six month period ended 30 June 2011.

NOTE 6:- POST BALANCE SHEET EVENTS

- a. On 11 July 2011 the Company, through a wholly-owned subsidiary, signed an agreement to acquire 628 Western Avenue, Park Royal, London W3 for £6.0 million. A 10% deposit has been paid and the balance is payable in cash upon completion which is due to take place no later than June 2012.

The Company is in the process of applying for planning permission to construct a new hotel at the front of the site.

- b. On 22 July 2011 the Company, through a wholly-owned subsidiary, entered into a joint venture agreement with Kitaria Holdings Limited ("Kitaria") to acquire a site located in Pattaya Bay, Thailand (the "Site").

On 18 August 2011, completion of the acquisition by the joint venture of the company which owns the Site, Bali Hai Co., Ltd ("Bali Hai") took place ("Completion"). Immediately prior to Completion, Park Plaza exercised its call option to buy all of Kitaria's shares in the joint venture which resulted in Park Plaza's wholly-owned subsidiary owning 100 per cent. of the voting shares and 90 per cent. of the profit participation shares in the joint venture. The remaining 10 per cent. of the profit participation shares in the joint venture are held by a minority investor (the "Minority Investor").

On Completion, the joint venture acquired a 93.2 per cent. legal interest and a 99.9 per cent. economic interest in Bali Hai from the Elran Group, certain of its related entities and the Minority Investor (the "Acquisition"). The remaining 6.8% legal interest in Bali Hai is indirectly owned by a Thai individual.

The consideration payable by the joint venture to the Elran Group and its related entities is US\$7 million in cash, US\$5 million of which was paid on Completion and US\$2 million of which is payable within 90 days of Completion (the "Second Payment Date"). These amounts are subject to adjustment dependent on the level of liabilities of Bali Hai at Completion and events taking place prior to the Second Payment Date. The payments were (or, as the case may be, will be) funded through shareholder loans from the Company to the joint venture and the US\$2 million payment was guaranteed by Park Plaza on Completion (the "Guarantee").

The consideration payable to the Minority Investor was the 10% of the profit participation shares in the joint venture mentioned above.

NOTE 6:- POST BALANCE SHEET EVENTS (Cont.)

The joint venture has also agreed to lend to Bali Hai a secured credit facility of up to US\$2.5 million (the "Loan"). The Company has agreed to advance the funds to the joint venture for the purpose of making the Loan.

Under the terms of the joint venture, the parties shall procure that Bali Hai shall enter into a management agreement with the Company to manage the hotel to be constructed on the Site. The joint venture will explore branding options in relation to this development.

- c. On 18 July 2011, Marlbray entered into an interest rate swap agreement pursuant to which Marlbray swapped the variable interest rate of 3-month Sterling LIBOR plus 2.65 per cent on an amount of £54.7 million with a fixed interest rate of 5.83 per cent. per annum until the maturity of the facility in June 2018.