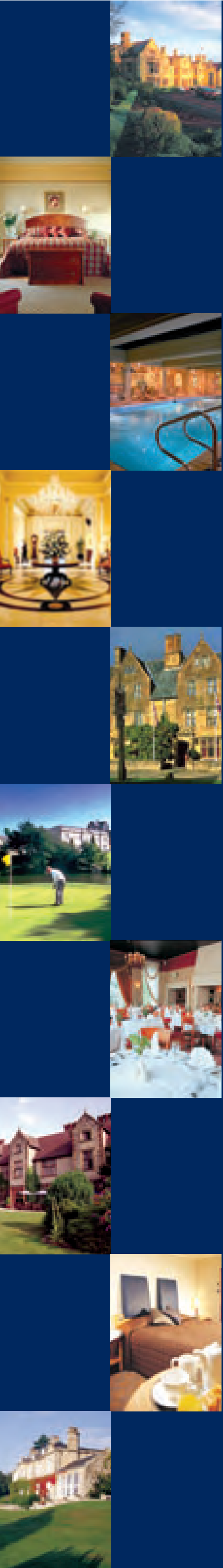

The Hotel Corporation plc

Interim Report 2006

For the six months ended
30 June 2006

Paramount Group Overview

CENTRAL ENGLAND

1. Billesley Manor Hotel
2. Paramount Cheltenham Park Hotel, Cheltenham
3. Paramount Daventry Hotel, Northamptonshire
4. Paramount Hinckley Island Hotel, Leicestershire
5. Paramount Oxford Hotel, Oxford
6. Paramount Palace Hotel, Buxton
7. Paramount Walton Hall Hotel & Spa
8. The Lygon Arms

NORTHERN ENGLAND

9. Paramount Imperial Hotel, Blackpool
10. Paramount Majestic Hotel, Harrogate
11. Paramount Redworth Hall Hotel, County Durham
12. Paramount Shrigley Hall Hotel, Golf & Country Club, Cheshire

SCOTLAND

13. Paramount Carlton Hotel, Edinburgh
14. Paramount Marine Hotel, Troon
15. Paramount Stirling Highland Hotel, Stirling

SOUTHERN ENGLAND

16. Combe Grove Manor
17. Paramount Basingstoke Country Hotel
18. Paramount Imperial Hotel, Torquay
19. Paramount Old Ship Hotel, Brighton

WALES

20. Paramount Angel Hotel, Cardiff

Highlights

The Hotel Corporation plc

- Profit, including revaluation gain, of £31.0m up from £9.3m the previous year
- 58% growth in net asset value per share to 234p* arising from recent valuation of hotels (December 2005: 148p)
- Interim dividend of 2.65p (2005: 2.60p)

* After allowing for the carried interest attributable to the Founder shares in DSH

Dawnay Shore Hotels plc

- DSH like for like hotel EBITDA increases 4.3%
- Strong demand in corporate and meetings sector with rooms revenue up 6% in these segments
- Significant boost to operating performance at Hinckley post renovation
- Walton Hall redevelopment on target for completion in 2007
- Furlong hotels, including The Lygon Arms, integrated as Paramount Signature Hotels

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

"Trading at DSH has been encouraging with the management focusing on the integration of the hotels acquired last year and on the overall returns across the rest of the group."

"The recent valuation of the existing portfolio has boosted the assets of Hotel Corporation by 58% and DSH continues to exploit the development potential of the property portfolio."

The Hotel Corporation plc is referred to as the "Company". Dawnay Shore Hotels plc is referred to as "DSH".

Chairman's Statement

I am pleased to report on the interim figures for the first six months of the current year.

As the Company's principal asset comprises its interest in DSH, this statement will focus both on the Company's own results and then those of DSH. The consolidated balance sheet of DSH as at 2 July 2006, the consolidated profit and loss account and consolidated cash flow statement of DSH for the 26 weeks ended 2 July 2006 are also provided in this statement.

Results of the Company

Revenue for the period, including bank interest, was £1.24m (2005: £1.03m) and, following administrative expenses, operating profit amounted to £1.1m (2005: £0.9m). In addition, the profit includes a credit categorised as investment gains amounting to £29.8m (2005: £8.4m), arising from the measurement of the Company's investment in the ordinary shares of DSH at their fair value, in accordance with International Financial Reporting Standards. Including these investment gains, total profit before tax was £31.0m (2005: £9.3m). No tax is payable for the period due to the Zero Corporate Taxation provisions in the Isle of Man. Basic and diluted earnings per share were 89.4p (2005: 26.8p) including these investment gains, and 3.2p (2005: 2.6p) without it. The net asset value per share is 234p (December 2005: 148p).

The Company has valued its shareholding in DSH on the basis of the net asset value of DSH as set out in that company's accounts. DSH's accounts themselves include a valuation of its portfolio of hotels of £445 million, excluding Walton Hall which is under redevelopment but including the three Furlong hotels acquired in December 2005. The valuation was carried out by Colliers Robert Barry, third party independent valuers, as at 2 July 2006. This translates into a net asset value per share in the capital of DSH of 375p (2005: 173p per share), after allowing for the carried interest attributable to the Founder shares in DSH, which compares with the price of 110p at which the Company last acquired shares in DSH in January 2005. Given DSH's highly leveraged structure at inception (of approximately four times the level of debt to equity), movements in the valuation of DSH have had a magnified effect on the value of the Company's shareholding in DSH. It is worth noting that following the recent valuation, DSH's debt relative to equity is less than two times.

The guidelines used for the valuation of the DSH hotels require that each property is valued taking into account its individual trading potential. The valuation methodology also assumes that each property is sold individually. In the opinion of the valuers, if the hotels were valued and sold as one portfolio a premium over the £445 million valuation would be realised.

Dividend

The Company has today declared an interim dividend of 2.65p per ordinary share (2005: 2.60p). The ex-div date will be 27 September 2006 and the record date 29 September 2006. Payment will be made to shareholders on 11 October 2006.

Dawnay Shore Hotels plc – Review of Operations and Financial Performance

After significant expansion of the portfolio during 2005, DSH now owns twenty hotels comprising in excess of 2,700 rooms across the UK. Management focus during 2006 is on integrating the three Furlong hotels, property enhancements to the portfolio and maximising returns from all Group hotels. In particular, significant attention is being dedicated to leveraging value from the renovation and re-launch of the Hinckley Island Hotel and Walton Hall, as well as identifying opportunities to add rooms to the portfolio.

To achieve the integration of the Furlong hotels, service standards that will apply to all Paramount Signature Hotels have been defined and rolled-out at each hotel. In addition, back office procedures and front office IT systems have been brought into line with the rest of the Group. The next step in the Signature strategy is to convert a number of the existing hotels to this standard and Shrigley Hall is the first of the original portfolio of hotels to be converted. This conversion is due to take effect at the end of September 2006.

Across the Group, a key strategy during 2006 is to identify and implement measures to counteract the significant cost pressures (mainly rising energy costs) that are affecting the hotel industry as a whole. These measures include both revenue strategies and containment of controllable costs. As detailed below on Table 1, the effect of this strategy is reflected in the Group achieving revenue and profitability growth which has outperformed the peer group.

As shown in the attached Consolidated Financial Statements, on a total Group basis (including all 20 hotels) DSH's turnover for the 26 week period ended 2 July 2006 was £47.9m, generating Hotel Operating Profit (HOP) of £15.6m (excluding Walton Hall, turnover was £47.0m and HOP was £15.9m). After depreciation, central and other costs, operating profit was £7.2m. Net interest payable was £11.6m and included £9.1m of interest on senior debt and £2.0m of interest on the deep discounted bonds which are owned by DSH shareholders. No tax is payable and the loss for the financial period was £4.4m.

Following its acquisition in June 2005 Walton Hall is undergoing a major redevelopment which will result in the conversion of 132 timeshare units into 195 bedrooms and the construction of a large conference centre. Due to the scale of the redevelopment the hotel is operating at minimal capacity, and is excluded from the comments that follow below.

On a like for like basis (excluding Walton Hall) turnover was 1.8% ahead of the prior year. Although occupancy was down by 1.6 percentage points, average room rate (ARR) increased by 4.8% giving an increase of 2.3% in revenue per available room. Leisure demand was slow in the first quarter impacting certain leisure reliant hotels, namely, Torquay, Shrigley, Redworth Hall and Troon. Demand was significantly stronger in the second quarter but leisure travel remains price sensitive and susceptible to competition from products such as budget airlines offering international travel deals to domestic tourists. The hotels in Edinburgh, Cardiff, Hinckley and Cheltenham are performing substantially ahead of expectations as both the corporate and meetings segments have been very strong in these locations. Total DSH room revenue from these segments has increased 6% year on year.

TABLE 1	H1 2006 (Unaudited)	H1 2005 (Unaudited)	% change
Turnover	£47.0m	£46.1m	1.8%
Hotel Operating Profit*	£15.9m	£15.2m	4.3%
Occupancy	66.5%	68.1%	(2.4%)
Average Room Rate	£71.38	£68.13	4.8%
Revenue per Available Room	£47.45	£46.40	2.3%
Total Revenue per Available Room	£100.79	£99.44	1.4%

* HOP is EBITDA for the individual hotels, excluding head office costs.
The above figures exclude Walton Hall which is under redevelopment. A reconciliation of the HOP reported above, of £15.9m, and the Operating Profit of £7.2m is shown with the Consolidated Profit and Loss Account.

The unaudited 2005 comparatives include pro-forma results for the hotels acquired during 2005 and will therefore differ from the 2005 results in the Consolidated Financial Statements.

Chairman's Statement continued

The focus of the Group's revenue strategy is on maximising ARR on high occupancy nights as this results in greater profit conversion versus occupancy-led revenue growth. This strategy has been a key element in the increase in HOP of 4.3% over the previous year. As anticipated, energy costs for the period were around £630,000 higher than the comparable period and without this increase HOP would have increased 8.4%. In particular HOP at Cheltenham was ahead of the prior year by 44% driven by aggressive sales and marketing strategies and at Hinckley by 41%, benefiting from the impact of the renovation.

Direct operating costs, including payroll, have been tightly controlled resulting in a £525,000 reduction year on year and leading to HOP conversion during this period of 33.9% (or 35.2% before the increase in energy costs) versus 33.1% in the previous year.

Interest expense was around £1.4 million greater than the previous year, mainly reflecting the cost of the facility used to acquire the three Furlong hotels (100% debt funded) and funds drawn for the Hinckley renovation.

Dividends

DSH's policy remains to distribute its net surplus cash flow from time to time. Trading in the second half of the year is normally much stronger than the first half and the Board of DSH will review payments of dividends in respect of the current financial year at the conclusion of the year. During the period DSH paid a dividend of £397,800, of which Hotel Corporation plc received £198,600.

Property valuation

The DSH hotel portfolio was valued by Colliers Robert Barry at £445 million (excluding Walton Hall but including the three Furlong hotels) as at 2 July 2006. The 2005 interim valuation by Colliers Robert Barry was £314 million for the 16 hotels owned by the Group at that time. The revaluation increment shown in the financial statements of approximately £90 million mainly relates to these 16 hotels and represents a 30% increase over the previous year's valuation. The impact of this is to increase the DSH net asset value per share by 117% since the year end (124% since June 2005).

Segmenting the portfolio to show the various acquisitions made by the Group, the current valuation represents a per room value as follows:

- 19 hotels: £173,000;
- 16 hotels excluding Furlong: £169,000;
- Original 13 Paramount hotels: £182,000.

The valuation above is based on guidelines issued by RICS and this requires that each property is valued taking into account its individual trading potential. The valuation methodology also assumes that each property is sold individually. In the opinion of Colliers Robert Barry, if the Group's hotels were valued and sold as one portfolio a premium over the £445 million valuation would be realised.

The net asset value per share at 2 July 2006, after allowing for the carried interest that would be payable to the DSH Founder Investors, is 375p against 173p at the year end.

Property development

In line with stated strategy, DSH continues to exploit the development potential of its property portfolio through room additions. The room additions for 2006 are summarised opposite on Table 2.

In addition, planning permission has been secured and construction has started on a 1,300 square metre conference facility at Walton Hall. This is significantly larger than the original plan for an 800 square metre centre. Also, a major renovation of The Lygon Arms is currently being planned and will be started by the beginning of 2007.

DSH is also committed to enhancing earnings by renovating existing hotel rooms and public

TABLE 2	Number of rooms			Status			
Hotel	New build	Within existing structure	Total	Completed	Work commenced	To be commenced	Estimated completion
Cheltenham		9	9	Mar 2006			
Walton Hall		64	64		Mar 2006		Q1 2007
Redworth Hall	40	3	43		Mar 2006		Jan 2007
Lygon		9	9		Aug 2006		Q1 2007
Shrigley Hall	18	3	21			Q4 2006	Q4 2007
Carlton		24	24			Q4 2006	Q2 2007
Stirling		4	4			Q4 2006	Q1 2007
Majestic		10	10			Q3 2006	Q1 2007
Torquay		9	9			Q4 2006	Q2 2007
Daventry		15	15			Q4 2006	Q2 2007
Brighton		2	2			Q4 2006	Q1 2007
	58	**152**	**210**				

areas where a business case exists. The following is a summary of activity in this area:

- Paramount Shrigley Hall, Cheshire – 8 bedrooms and main bar completed; 24 bedrooms refurbishment started;
- Paramount Cheltenham Park, Cheltenham – refurbishment started on 23 rooms;
- Paramount Redworth Hall, County Durham – 8 bedrooms and reconfiguration of reception completed;
- Paramount Imperial, Torquay – 29 bathrooms completed;
- Paramount Daventry, Northamptonshire – refurbishment started on 101 bedrooms.

Prospects

Significant investment has been made in re-launching the Paramount website which has seen an increase of over 100% in revenue booked in the first half of the year as compared to the same period last year. The Paramount Special Events programme was also launched this year bringing with it a new income stream for the hotels. In the face of a challenging market in the leisure sector, these initiatives are expected to yield substantial benefits for the remainder of 2006 and going forward.

Valuations have increased over the period. Nevertheless, DSH continues to seek “bolt-on” acquisitions which fit its investment criteria and is focused on purchasing synergistic assets with the right geographic fit for its portfolio and the appropriate facilities to attract leisure and corporate customers. Considerable development potential still remains within the existing portfolio and DSH will continue to seek to exploit these opportunities.

Trading at DSH has been encouraging with the management focusing on the integration of the hotels acquired last year and on the overall returns across the rest of the group. Rising energy costs have been a challenge affecting the hotel industry as a whole, but the specific measures taken by DSH to address this are benefiting the profitability of the group.

The recent valuation of the existing portfolio has boosted the assets of The Hotel Corporation by 58% and DSH continues to exploit the development potential of the property portfolio.

Barclay Douglas
Chairman

18 September 2006

Independent Review Report to The Hotel Corporation plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2006 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 6. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company, in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are also responsible for ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review Work Performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and thereon provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Deloitte & Touche
Chartered Accountants
Douglas
Isle of Man

18 September 2006

Income Statement

For the six months ended 30 June 2006

	Notes	**Unaudited period from 1 January 2006 until 30 June 2006 £'000**	Unaudited period from 1 January 2005 until 30 June 2005 £'000	Audited year to 31 December 2005 £'000
Continuing operations				
Revenue	5	**1,192**	993	1,986
Administrative expenses		**(111)**	(124)	(247)
Profit from operations		**1,081**	869	1,739
Bank interest receivable		**45**	34	73
Investment gains-unrealised	2	**29,829**	8,384	9,702
Profit before tax		**30,955**	9,287	11,514
Taxation		**–**	–	–
Profit after tax for the period/ year from continuing operations		**30,955**	9,287	11,514
Earnings per share				
Basic and diluted	3	**89.4p**	26.8p	33.3p

Balance Sheet

As at 30 June 2006

	Notes	**£'000**	**Unaudited as at 30 June 2006 £'000**	£'000	Unaudited as at 30 June 2005 £'000	£'000	Audited as at 31 December 2005 £'000
ASSETS							
Non-current assets							
Investments	2		**78,636**		47,489		48,807
Current assets							
Trade and other receivables		**13**		14		19	
Cash and cash equivalents		**2,325**		2,326		2,317	
			2,338		2,340		2,336
Total assets			**80,974**		49,829		51,143
EQUITY & LIABILITIES							
Capital & reserves							
Share capital			**1,731**		1,731		1,731
Share premium account			**33,301**		33,308		33,308
Retained earnings			**45,909**		14,735		16,062
			80,941		49,774		51,101
Current liabilities							
Trade and other payables			**33**		55		42
			80,974		49,829		51,143
Net asset value per share			**234p**		144p		148p

Statement of Changes in Equity

For the six months ended 30 June 2006

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2004	1,731	33,308	5,998	41,037
Profit for period	–	–	9,287	9,287
Dividend paid	–	–	(550)	(550)
Balance at 30 June 2005	1,731	33,308	14,735	49,774
Balance at 30 June 2005	1,731	33,308	14,735	49,774
Profit for period	–	–	2,227	2,227
Dividend paid	–	–	(900)	(900)
Balance at 31 December 2005	1,731	33,308	16,062	51,101
Balance at 31 December 2005	1,731	33,308	16,062	51,101
Profit for period	–	–	30,955	30,955
Dividend paid	–	–	(1,108)	(1,108)
Preliminary expenses	–	(7)	–	(7)
Balance at 30 June 2006	**1,731**	**33,301**	**45,909**	**80,941**

Cash Flow Statement

For the six months ended 30 June 2006

	Notes	**Unaudited period from 1 January 2006 until 30 June 2006 £'000**	Unaudited period from 1 January 2005 until 30 June 2005 £'000	Audited year to 31 December 2005 £'000
Net cash inflow/(outflow) from operating activities	4	**85**	(106)	(247)
Investing activities				
Interest receivable		**45**	34	73
Purchase of investments		**–**	(1,365)	(1,365)
Proceeds received on the maturity of investments		**993**	993	1,986
Net cash from investing activities		**1,038**	(338)	694
Financing activities				
Dividends paid		**(1,108)**	(550)	(1,450)
Preliminary expenses		**(7)**	–	–
Net cash (used in) financing activities		**(1,115)**	(550)	(1,450)
Net increase (decrease) in cash and cash equivalents		**8**	(994)	(1,003)

Notes to the Accounts

For the six months ended 30 June 2006

1. Basis of accounting

The interim report has been prepared in accordance with the Company's IFRS accounting policies as set out in its annual financial statements for the year ended 31 December 2005. Certain information and disclosures normally required to be included in the notes to the annual financial statements have been omitted or condensed. These interim financial statements should be read in conjunction with the financial statements and the notes thereto in the Company's Annual Report for the year ended 31 December 2005. The accounting policies are consistent with those set out in the Company's financial statements for the year ended 31 December 2005.

The statutory accounts for the year ended 31 December 2005 have been filed with the Registrar of Companies and contained an unqualified audit report.

2. Investments

	Unaudited period from 1 January 2006 until 30 June 2006 £'000	Unaudited period from 1 January 2005 until 30 June 2005 £'000	Audited year to 31 December 2005 £'000
Classified as:			
Fair value through profit and loss investments	**62,086**	30,939	32,257
Held to maturity	**16,550**	16,550	16,550
	78,636	47,489	48,807

Fair value through profit or loss investments			
Fair value at start of period	**32,257**	21,840	21,840
Additions at cost	**–**	715	715
Increase in fair value	**29,829**	8,384	9,702
Fair value at end of period	**62,086**	30,939	32,257

The unlisted investment shown above represents a holding of 16,550,000 ordinary shares of £1 par value in Dawnay Shore Hotels plc, which comprises 49.92% of the issued share capital of that company. Investments in the ordinary shares of Dawnay Shore Hotels plc ("DSH") held at the balance sheet date are measured at their fair value. In determining the fair value attributable to the ordinary shares in DSH, the directors have drawn upon the net asset value of DSH as set out in the financial statements of that company and have utilised that net asset value for each ordinary share held in DSH by the Company, making an appropriate adjustment for the carried interest attributable to the Founder shares in DSH (as defined in the Hotel Corporation plc prospectus issued on 9 July 2004). The financial statements of DSH include a valuation as at 2 July 2006 of the portfolio of hotels that has been provided by an independent professional valuer and prepared in accordance with the rules of RICS. Any resultant gain or loss in the value of the Company's equity investment in DSH is recognised in the Income Statement.

Notes to the Accounts continued

For the six months ended 30 June 2006

2. Investments continued

	Unaudited period from 1 January 2006 to 30 June 2006 £'000	Unaudited period from 1 January 2005 to 30 June 2005 £'000	Audited year to 31 December 2005 £'000
Investments held to maturity			
Cost and net book value			
At start of period	**16,550**	15,900	15,900
Additions	**–**	650	650
Redeemed in period	**(993)**	(993)	(1,986)
Amortisation of discount	**993**	(993)	1,986
At end of period	**16,550**	16,550	16,550

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

3. Earnings per share

	Unaudited period from 1 January 2006 to 30 June 2006	Unaudited period from 1 January 2005 to 30 June 2005	Audited year to 31 December 2005
Basic and diluted earnings per share	**89.4p**	26.8p	33.3p
This comprises:			
Basic and diluted earnings per share from operations and bank interest	**3.2p**	2.6p	5.3p
Basic and diluted earnings per share from investment gains	**86.2p**	24.2p	28.0p

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

	£'000	£'000	£'000
Earnings			
Profit from operations and bank interest	**1,126**	903	1,739
Investment gains	**29,829**	8,384	9,775
Net profit for period	**30,955**	9,287	11,514
Number of shares			
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**34,619,050**	34,619,050	34,619,050

3. Earnings per share continued

There are no convertible investments in existence at 30 June 2006 and therefore diluted earnings per share does not differ from basic earnings per share.

4. Reconciliation of profit from operations to net cash from operating activities

	Unaudited period from 1 January 2006 to 30 June 2006 £'000	Unaudited period from 1 January 2005 to 30 June 2005 £'000	Audited year to 31 December 2005 £'000
Profit from operations	**1,081**	869	1,739
Decrease/(increase) in receivables	**6**	(2)	(7)
(Decrease)/increase in trade and other payables	**(9)**	20	7
Amortisation of discount on investments	**(993)**	(993)	(1,986)
Net cash inflow/(outflow) from operating activities	**85**	(106)	(247)

5. Revenue

	Unaudited period from 1 January 2006 to 30 June 2006 £'000	Unaudited period from 1 January 2005 to 30 June 2005 £'000	Audited year to 31 December 2005 £'000
An analysis of the Company's revenue is as follows:			
Amortisation of discount on investments	**993**	993	1,986
Dividend received	**199**	–	–
	1,192	993	1,986

6. Taxation

The Company was granted tax exempt status in the Isle of Man from the incorporation to 5 April 2006. The Isle of Man Treasury introduced a zero rate of corporate tax in the Isle of Man with effect from 6 April 2006 which is expected to apply to the Company's taxable profits. Therefore no provision for Isle of Man taxation is required in these accounts.

Appendix – Dawnay Shore Hotels plc Interim Results 2006

Dawnay Shore Hotels plc
Consolidated Profit and Loss Account
For the 26 weeks ended 2 July 2006

	Unaudited 26 weeks ended 2 July 2006 £'000	Unaudited 26 weeks ended 3 July 2005 £'000	Audited Year ended 1 January 2006 £'000
Turnover	**47,902**	40,424	89,458
Cost of sales	**(5,765)**	(4,951)	(10,932)
Gross Profit	**42,137**	35,473	78,526
Administrative expenses	**(34,973)**	(29,355)	(60,214)
Operating Profit	**7,164**	6,118	18,312
Profit on sale of fixed assets	**–**	–	127
	7,164	6,118	18,439
Interest receivable and similar income	**86**	186	318
Interest payable and similar charges	**(11,696)**	(10,172)	(20,772)
Loss on ordinary activities before taxation	**(4,446)**	(3,868)	(2,015)
Tax on profit on ordinary activities	**–**	–	1,554
Dividends	**(398)**	–	–
Retained loss for the financial period	**(4,844)**	(3,868)	(461)

Note: Reconciliation of Operating Profit

	2 July 2006 £m
Hotel EBITDA excluding Walton Hall	**15.9**
Walton Hall loss	**(0.3)**
Depreciation and amortisation	**(4.2)**
Central and other costs	**(4.2)**
Operating profit as shown above	**7.2**

Dawnay Shore Hotels plc
Consolidated Balance Sheet
As at 2 July 2006

	Unaudited As at 2 July 2006 £'000	Unaudited As at 3 July 2005 £'000	Audited As at 1 January 2006 £'000
Fixed Assets			
Intangible assets – goodwill	**9,652**	7,505	9,846
Tangible assets	**467,973**	333,217	375,207
	477,625	340,722	385,053
Current Assets			
Stocks	**832**	729	877
Debtors	**7,509**	8,020	7,564
Cash at bank and in hand	**2,190**	4,618	6,474
	10,531	13,367	14,915
Creditors: amounts falling due within 1 year	**(22,583)**	(23,485)	(23,373)
Net Current Liabilities	**(12,052)**	(10,118)	(8,458)
Total Assets less Current Liabilities	**465,573**	330,604	376,595
Creditors: amounts falling due after more than 1 year	**(307,040)**	(257,968)	(302,482)
Provision for liabilities and charges	**(9,478)**	(10,634)	(9,495)
Net Assets	**149,055**	62,002	64,618
Capital and Reserves			
Called up share capital	**1,658**	1,658	1,658
Share premium account	**32,137**	32,137	32,137
Revaluation reserve	**120,461**	32,026	31,180
Profit and loss account	**(5,201)**	(3,819)	(357)
Equity Shareholders' Funds	**149,055**	62,002	64,618

Appendix – Dawnay Shore Hotels plc Interim Results 2006 continued

Dawnay Shore Hotels plc
Consolidated Cash Flow Statement
26 weeks ended 2 July 2006

	Unaudited 26 weeks ended 2 July 2006 £'000	Unaudited 26 weeks ended 3 July 2005 £'000	Audited As at 1 January 2006 £'000
Net cash inflow from operating activities	**10,212**	13,958	28,051
Returns on investments and servicing of finance			
Interest received	**86**	186	318
Interest paid	**(9,575)**	(10,980)	(19,436)
Interest paid on finance leases	**(37)**	(40)	(75)
Dividends paid	**(398)**	–	–
Net cash outflow from returns on investments and servicing of finance	**(9,924)**	(10,834)	(19,193)
Taxation			
Corporation tax paid	**–**	–	–
Capital expenditure			
Purchase of tangible fixed assets	**(7,351)**	(2,383)	(7,565)
Sale of tangible fixed assets	**–**	–	1,114
Net cash outflow from capital expenditure and financial investment	**(7,351)**	(2,383)	(6,451)
Acquisitions			
Purchase of hotels	**–**	(76,807)	(75,104)
Purchase of subsidiary undertakings	**–**	–	(16,716)
Cash balances less overdraft acquired with hotels and subsidiary undertakings	**–**	–	(51)
Net cash outflow from acquisitions	**–**	(76,807)	(91,871)
Net cash outflow before financing	**(7,063)**	(76,066)	(89,464)
Financing			
Issue of share capital	**–**	1,320	1,320
New term loans raised	**4,551**	58,400	97,325
New bonds issued	**–**	1,200	1,200
Bank loan note issued	**–**	–	3,595
Bank loans repaid	**–**	(652)	(25,389)
Bonds repaid	**(1,591)**	(1,788)	(3,475)
Term loan issue costs	**–**	(1,503)	(2,065)
Repayment of principal under finance leases	**(181)**	(220)	(499)
Net cash inflow from financing	**2,779**	56,757	72,012
Decrease in cash	**(4,284)**	(19,309)	(17,452)

Officers and Professional Advisers

Directors	James Barclay Douglas LLB CA (Chairman) Donald Lindsay Adamson MA MSI Derek William Short FCIB MSI FinstD David Peter Craine FCA JP
Registered Office	Burleigh Manor, Peel Road, Douglas Isle of Man IM1 5EP
Company Secretary	David Peter Craine Burleigh Manor, Peel Road, Douglas Isle of Man IM1 5EP
Nominated Adviser	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
Stockbroker	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU
Solicitors to the Company	SJ Berwin 10 Queen Street Place London EC4R 1BE
Isle of Man Advocates to the Company	Dickinson Cruickshank 33 Athol Street Douglas Isle of Man IM1 1LB
Auditors	Deloitte & Touche Grosvenor House Athol Street Douglas Isle of Man IM99 1XJ
Registrars & Crest Service Provider	Computershare Investors Services PLC PO Box 83 Ordnance House 31 Pier Road St Helier Jersey JE4 8PW
Isle of Man Administration	Peregrine Corporate Services Limited Burleigh Manor, Peel Road, Douglas Isle of Man IM1 5EP

The Hotel Corporation plc
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