CONTENTS

CHAIRMAN'S STATEMENT

The Group was unable to maintain the improvements in performance experienced earlier in the year and in the second half of the Financial Year trading slowed. In particular EBITDA (earnings before interest, tax, depreciation and amortisation), before exceptional expense was comparatively £320,484 lower in the last four periods of the year. A poor winter conference season in Bournemouth impacted the Norfolk Royale Hotel and the flooding in Carlisle had enabled the Crown and Mitre to achieve a very high occupancy in the previous year.

The Brexit decision understandably created a temporary slowdown in commercial activity throughout our Estate.

An exceptional expense of £170,500 has been made to provide for the balance of the back rent due by the Strathdon Hotel, Nottingham, following the determination by arbitration of a long running ground rent review dating back five years between the freeholder and the head lessor.

On a positive note we maintained our REVPAR (accommodation revenue per available room) and net debt decreased £580,087.

Highlights

- Turnover decreased 1.3% to £16,790,320 (2016: £17,011,472)
- EBITDA before exceptional expense decreased 12.5% to £2,250,328 (2016: £2,570,818). This represents operating profit of £1,098,234 adding back exceptional expenses of £170,500 and depreciation of £981,594.
- Operating profit before exceptional expense down 18.7% to £1,268,734 (2016: £1,559,614)
- Net debt decreased £580,087
- Profit before tax, (including the exceptional expense £170,500 re the Strathdon Hotel) was £575,387 (2016: £993,607)
- Earnings per share basic and diluted 3.1p (2016: 5.7p)

Subsequent to the Financial Year End the Company has negotiated a new long term financing facility with Allied Irish Bank. The terms of this new facility, which will enable the Company to repay the outstanding Loan Notes and Director's loan, will result in a significant reduction in our financial charges going forward.

The Board would like to take this opportunity of thanking the management and staff of Peel Hotels for their contribution to the business and for the safety and wellbeing of their guests.

Regrettably the Board feel unable to recommend a dividend in respect of the Financial Year ended 29 January 2017 (2016: 2.0p). They believe Shareholders will derive a greater benefit through the significant financial charge savings by the Company repaying the Director's Loan and the Loan Note Holders.

We are always delighted to welcome Shareholders to our hotels where they can see for themselves the progress we continue to make, whilst enjoying a beneficial discount. The discount for Shareholders is 50% of our rack rate tariff using the special reservation number 0207 266 1100 or e-mail info@peelhotel.com . Shareholders can also keep in touch

CHAIRMAN'S STATEMENT

with progress in the Group and various promotional activities by visiting our website www.peelhotels.co.uk

We are delighted to welcome Haydn Fentum to the Board of Directors, and Shareholders will be pleased to note that he brings a wealth of hotel experience to the Company. He is co-founder and Chief Executive of Bespoke Hotels - a very successful Hotel Management and Marketing Company.

Having been appointed by the Board Haydn's Directorship will be put to the Shareholders for approval at the 2017 Annual General Meeting.

Keith Benham, as indicated last year, will retire at the AGM. Keith's contribution to Peel Hotels over the years has been exceptional and he will be greatly missed. We wish him a healthy and happy retirement.

It is very difficult to forecast the outcome for financial year 2017/18 as so much depends on staycation and increased tourist activity stimulated by the weak pound. However our refinancing with Allied Irish Bank and the repayment of the Director's Loan and Loan Notes will provide significant savings in the costs of finance and the subsequent benefits of improved cash flow and lessening net debt. Savings in the financial year 2018/19 are estimated to be not less than £160,000, providing that interest rates remain unchanged.

Robert Peel
Chairman
19 July 2017

DIRECTORS AND ADVISERS

Directors

Robert Edmund Guy Peel	Executive Chairman
Nicholas David Lawton Parrish	Financial Director
Keith Peter Benham	Non-executive Director
Haydn Herbert James Fentum	Non-executive Director
Norbert Paul Gottfried Petersen	Non-executive Director

Secretary
Things LLP
Kinnaird House, 1 Pall Mall East, London SW1Y 5AU

Registered Office
5th Floor, Kinnaird House, 1 Pall Mall East, London SW1Y 5AU

Company registration number 3473990

Auditor
Grant Thornton UK LLP
No. 1 Whitehall Riverside, Leeds, LS1 4BN

Bankers
Allied Irish Bank Plc

Registrars
Computershare Investor Services Plc
The Pavilions, Bridgewater Road, Bristol BS13 8AE

Solicitors
Things LLP
Kinnaird House, 1 Pall Mall East, London SW1Y 5AU

Stockbroker
Peel Hunt LLP
Moor House, 120 London Wall, London EC2Y 5ET

STRATEGIC REPORT

The Directors present the Strategic Report of the Group for the year ended 29 January 2017.

Review of the business

RESULTS

The key performance indicators for the Group are revenue, EBITDA, profit before tax, REVPAR and net debt levels.

The Financial Year ended 29 January 2017 has been a very challenging year for the Group with hotel revenues decreasing by 1.3% to £16,790,320 (2016: £17,011,472). Hotel gross profit before depreciation and Group administration expenses decreased 9.4% to £2,938,211 (2016: £3,244,401). EBITDA before exceptional expense decreased 12.5% to £2,250,328 (2016: £2,570,818).

The Company has also had to bear an exceptional expense of £170,500 to its profit due to a charge for back land rent re the Strathdon Hotel, Nottingham.

Profit before tax, (including the exceptional expense re the Strathdon Hotel) was £575,387 (2016: £993,607).

However, Revpar (accommodation revenue per available room) was maintained with occupancy down 3.2% and average room rate up 3.4%.

Administration expenses increased 2.1%. Depreciation and amortisation decreased 2.9%.

FINANCE

As at 29 January 2017 net debt stood at £9,554,769 (2016: £10,134,856) representing loans totalling £9,847,422 (2016: £10,196,846) and an overdraft of £nil (2016: £220,776) less £292,653 (2016: £282,766) cash at bank. Gearing on Shareholders' funds was 39.9% with interest covered 2.1 times. Net debt decreased by £580,087 compared with the previous year.

Subsequent to the Financial Year End the Company has negotiated a new long term financing facility with Allied Irish Bank. The terms of this new facility, which will enable the Company to repay the outstanding Loan Notes and Director's loan, will result in a significant reduction in our financial charges going forward. Savings in the financial year 2018/19 are estimated to be not less than £160,000, providing that interest rates remain unchanged.

CAPITAL EXPENDITURE

£710,701 (2016: £690,900) was spent in the year. We have completed the restructuring of certain bedrooms at the Crown and Mitre in Carlisle. The conference and banqueting facilities have been refurbished at the George Hotel in Wallingford. Bedroom refurbishment continues at the Caledonian in Newcastle.

We continue to invest in our internet access throughout all our Hotels giving our Guests faster connection. This service is absolutely free to our Guests and is a vital component to them having a satisfactory stay with us.

In addition to Capital Expenditure, £661,317 (2016: £671,791) was spent on repairs and renewals which help us ensure that we are constantly and consistently maintaining and improving our product, proof of which is the continuing improvements in ratings of each Hotel assessed by the Automobile Association.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors have set in place a thorough risk management process that identifies the key risks faced by the Group and ensures that processes are adopted to monitor and mitigate such risks.

The principal non-financial risk affecting the business relates to the fact that the market in which the Group operates is highly competitive, with constant pressure on rates in the provincial marketplace. The Group seeks to mitigate this by ensuring its product offering is maintained to a high standard, via a programme of on-going refurbishment to maintain competitiveness.

The principal financial risks affecting the business are currency risk, credit risk, interest rate risk and liquidity risk.

All the Group's sales and purchases are made in sterling; therefore the Group is not exposed to any significant currency risks.

The Directors are satisfied that the credit risk is adequately managed and the level of bad debt is consistent with the nature of the industry.

Given the current market expectations as to the movement in LIBOR in the short to medium term, it is not the Group's intention to enter into any financial instruments to manage its interest rate risk on its new long term financing. This policy will be kept under regular review.

Liquidity needs are managed by regular review of the timing of expected receivables and payments (including capital payments required on the bank and other loans) and the availability of facilities and levels of cash on deposit via the preparation of cash flow forecasts.

By order of the board
Things LLP
Secretary
19 July 2017

DIRECTORS' REPORT

The Directors present their report and the financial statements of the Group for the year ended 29 January 2017.

Results and dividends

The profit for the year after tax amounted to £434,722 (2016: £798,266). In light of the benefits that will accrue from the repayment of the Loan Notes and the Director's Loan the Directors recommend that no dividend be paid (2016: £280,242).

Executive Directors

Robert Peel, age 70, was appointed on 25 November 1997.

Nicholas Parrish, age 58, was appointed on 19 October 2012.

Robert Peel held executive positions in the hotel industry for more than 20 years before joining Peel Hotels. Nick Parrish joined Peel Hotels in 1998 as Group Accountant and has acted as Head of Finance since 2007.

Non-executive Directors

Keith Benham, age 74, appointed on 23 February 1998, was formerly a senior partner at Linklaters.

Norbert Petersen, age 70, was appointed on 11 September 1998.

Haydn Fentum, age 47, was appointed on 22 July 2016. He is also Chief Executive of Bespoke Hotels.

Save for Haydn Fentum, all Directors served throughout the year.

Directors' interests

	29 January 2017		31 January 2016	
	Shares Number	**Options Number**	Shares Number	Options Number
Robert Peel	**5,496,900**	**–**	5,496,900	–
Norbert Petersen	**42,131**	**–**	41,830	–
Keith Benham	**168,801**	**–**	168,801	–
Nicholas Parrish	**–**	**5,000**	–	8,000

Substantial shareholdings

Save for the interests of Robert Peel, which are set out above, the Directors are aware of the following who were interested, directly or indirectly, in 3 percent or more of the Company's shares as at 29 January 2017.

	Number of Shares	Percentage of share capital
Charles Peel	**3,248,471**	**23.2%**
J.P. Morgan Fleming Asset Management	**1,239,838**	**8.9%**
David Urquhart	**610,000**	**4.4%**

The Directors are not aware of any persons, other than Robert Peel and his brother Charles Peel who, directly or indirectly, jointly or severally, exercise control over the Company.

Property, plant and equipment

Movements on property, plant and equipment are set out in note 11 to the financial statements.

Employees

Every effort is made to keep staff informed of and involved in the operation and progress of the Group. The policy of the Group for the employment of disabled persons is to give them equal opportunities with other employees to train for and attain any position in the Group having regard to the maintenance of a safe working environment and the constraints of their disabilities. Close attention is given to employees' health and safety with particular regard to the requirements of the Health and Safety at Work legislation.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditor are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT

Directors' and Officers' liability insurance

The Group has purchased Directors' and Officers' liability insurance.

Financial risk management

During the year the Group was financed via a long-term loan facility (which expires on 31 August 2017), and an unsecured loan from its majority shareholder together with unsecured loan notes issued to its two major shareholders (which are due for repayment in 2017). The Group traded within these available facilities during the year. Subsequent to the Financial Year End the Company has negotiated new long term financing which will enable the Company to repay the outstanding bank loan, Loan Notes and Director's loan and will considerably reduce the Group's financial charges going forward.

The Directors have prepared forecasts for more than 12 months from the date of signing these accounts, which fairly represent their best, prudent estimate of hotel trading and cash flows in the current economic environment. The Directors have considered the adequacy of the banking and other borrowing facilities in light of these forecasts (including compliance with necessary covenants), and are satisfied that they are more than adequate for the Group's working capital requirements. For this reason, the Board has concluded that there are no material uncertainties and that the going concern basis should be adopted in preparing these financial statements.

Credit, currency, liquidity and interest rate risk is dealt with in the Strategic Report.

Annual General Meeting

The notice convening the Annual General Meeting to be held at The Norfolk Royale Hotel, Bournemouth on 23 August 2017 at 12 noon is enclosed with this report.

Annual General Meeting resolutions

A resolution will be proposed at the Annual General Meeting to authorise the Directors, generally and unconditionally, to allot ordinary shares up to an aggregate nominal amount of £585,800 for the period to the conclusion of the Group's 2018 Annual General Meeting.

Resolutions will be proposed, as a special resolution, authorising the Directors to allot ordinary shares for cash other than in accordance with section 561 of the Companies Act 2006. Section 561(1) provides pre-emption rights for Shareholders when shares are issued for cash. The number of shares that may be so allotted will be restricted to 1,401,200 being 10% of the current issued share capital. The disapplication of Section 561 of the Companies Act 2006 will be limited in time and will expire at the same time as the authority to allot.

The usual ordinary business will be considered, including receipt of the Group's Report and Financial Statements and re-appointing Grant Thornton UK LLP as auditor. Resolutions will be proposed to re-elect Haydn Fentum who was elected to the Board during the period since the 2016 Annual General Meeting, and Robert Peel who retires by rotation in accordance with the Company's Articles of Association and who, being eligible, offers himself for re-election.

DIRECTORS' REPORT

Directors' recommendation

The Directors believe that all the resolutions being proposed are in the best interests of the Group, its Shareholders and employees. They recommend Shareholders to vote in favour of the resolutions, as they intend to do in respect of the shares beneficially owned by them. When considering what action to take, Shareholders are advised to consult a stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000.

Auditor

The auditor, Grant Thornton UK LLP, has indicated a willingness to be re-appointed and a resolution will be proposed at the Annual General Meeting to re-appoint Grant Thornton UK LLP and to authorise the Directors to fix the auditor's remuneration.

Registered Office
5th Floor
Kinnaird House, 1 Pall Mall East
London SW1Y 5AU

By order of the board
Thrings LLP
Secretary
19 July 2017

CORPORATE GOVERNANCE

Peel Hotels Plc is listed on AIM and is not subject to the requirements of the UK Corporate Governance Code 2014 on corporate governance and has not voluntarily adopted the code, nor is it required to disclose its specific policies in relation to corporate governance. However, the Directors are committed to delivering high standards of corporate governance to the Company's Shareholders and other stakeholders including employees.

Directors

The Board currently comprises two Executive and three Non-executive Directors and meets regularly throughout the year. It leads and controls the Group by taking responsibility for overall projects and consideration of significant financing matters. It reviews the strategic direction of operations and annual budgets, progress towards achievement of those budgets and the longer-term strategies.

The Board is chaired by Robert Peel who also acts as the Group's Chief Executive. Robert Peel was appointed at the incorporation of the Company. Due to the size of its business, the Group has not segregated the position of Chairman and Chief Executive. The Board believes that the presence of strong Non-executives make this position appropriate for the business at this time. Nick Parrish, formerly the Group Accountant with the Company since 1998, was appointed as Financial Director on 19 October 2012. Haydn Fentum was appointed as a Non-executive Director on 22 July 2016. All other Board members were appointed during the first fully reported financial period to 21 February 1999. The Non-executive Directors have between them considerable experience in the business world and the City. Non-executive Directors are appointed for successive 12-month terms, renewable at the invitation of the Board, and are subject to re-election by Shareholders in accordance with the Company's Articles of Association. Their objective views and sound advice carry considerable weight in relation to all matters considered at Board meetings. Between formal meetings the Chief Executive remains in touch with the Non-executives, consulting them on appropriate issues and updating them on the Group's progress. The responsibility has been shared and none of the Non-executive Directors has assumed the role of senior independent Director.

The Board meets regularly (meeting on seven occasions in the financial period to 29 January 2017). Prior to each Board meeting and at the end of each of the Group's four weekly accounting periods, every member of the Board is supplied with a full set of management accounts together with a summary of the key features of the Group's performance overall. This includes an analysis of the performance against the original budget for the year and the previous year's performance. The Board papers also include other documents which relate to matters included in the agenda, as appropriate, in order to ensure that members of the Board are given the fullest opportunity for consideration of matters to be discussed at meetings.

The Board has determined that it is appropriate for matters which would normally be delegated to a nomination committee to be referred to the full Board. The Board, acting as a nomination committee, meets at least once a year to carry out the selection process for new Board members and to propose any new appointments to the Board, whether Executive or Non-executive.

CORPORATE GOVERNANCE

The Articles of Association of the Company require that all Directors submit themselves for re-election and that in any given year the number to retire is nearest to one third of the Directors, being those who have been in office for the longest period of time.

There are agreed procedures by which Directors are able to take independent professional advice on matters relating to their duties, if necessary, at the expense of the Company. The Board has also resolved that any question of removal from office of the Company Secretary is a matter to be considered by the Board as a whole.

The Group uses external services provided by Thrings LLP, the Group's solicitors, for company secretarial matters. All Directors have access to the Company Secretary.

Directors' remuneration

The Group believes and seeks to ensure that the remuneration packages it offers its Executive Directors are fair. Other elements of the remuneration package offered to Directors include benefits in kind and share options. Further details of the Group's remuneration policy are contained in the Directors' Remuneration Report.

Relations with shareholders

The Chief Executive is always available to meet with key institutional Shareholders. In addition, the Company uses the Annual General Meeting to provide private investors with an update on the Group's progress and strategy. Shareholders are encouraged to attend the Annual General Meeting when members of the Board would be delighted to answer questions.

Accountability and audit

The Board seeks to ensure that its' Annual Report and Financial Statements and other public financial statements provide a balanced and understandable assessment of the Group's position.

The Audit Committee currently consists of Keith Benham and Haydn Fentum. The Audit Committee meets at least twice a year. The Committee provides a forum for reporting by the Group's external auditor and consideration of internal audit reports. Meetings are also attended, by invitation, by Robert Peel and Nick Parrish.

The Group has an established internal audit process (operated by members of the head office finance team) to provide continuous independent review of the Group's internal controls and business practices. The internal audit reports produced from this process are considered by the Audit Committee on a regular basis.

Internal controls

The Board is responsible for reviewing the effectiveness of the system of internal control. The Board has delegated to executive management the implementation of the systems of internal control.

Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE

The following processes take place on an ongoing basis.

- Review of internal audit reports.
- Weekly and 4 Weekly reporting of financial information including profit and loss accounts, balance sheets, cash flow statements and other key performance indicators.
- Regular reporting to the Board on certain specific matters including treasury management, insurances, legal and health and safety issues.
- The Audit Committee reports the outcome of audit meetings to the full Board of Directors.

Senior management from all key disciplines have been involved in the process of risk assessment in order to identify and assess objectives, key issues and controls. Further review has been performed to identify those risks relevant to the Group and to manage operational, compliance, financial and business risk.

The key procedures that have been established and are designed to provide effective internal control are:

Financial information

Detailed annual budgets are prepared in advance of each financial year. These are reviewed and agreed by the Board with subsequent actual monthly performance reported against these budgets, updated forecasts and prior year comparatives. In addition, separate regular reviews of the overall profitability of the individual hotels are performed and monitored by the Chief Executive.

Quality and integrity of personnel

All members of management responsible for staff recruitment are made aware of the levels of experience and expertise required.

Operating unit financial controls

Key controls over major financial risks include reviews against performance indicators and exception reporting. The operating units make regular assessments of their exposure to major financial risks and the extent to which these risks are controlled, which are considered during internal audit visits.

Computer system

The Group has established controls and procedures over the security of data held on computer systems. The arrangements are tested regularly and reviewed by the Group's management.

Controls over central functions

A number of the Group's key functions, including treasury and taxation, are dealt with centrally. Each of these functions is required to report to the Board on a regular basis.

The Board has conducted a review of the system of internal control for the year ended 29 January 2017 and up to the date of this report.

DIRECTORS' REMUNERATION REPORT

Composition of the remuneration committee

The remuneration committee ('the committee') is currently comprised of Keith Benham. The committee makes its decisions following consultation with the Chief Executive and has access to professional advice from outside the Group. The remuneration of the Executive Chairman is set by the Non-executives.

Remuneration policy for Executive Directors

The Group wishes to attract and retain senior management of the highest quality. Accordingly, its policy, in a competitive market, is to design remuneration packages which, through an appropriate combination of basic salary and share options, reward senior managers fairly and responsibly for their individual contributions.

Basic salary

An individual's basic salary is reviewed and determined by the committee annually, taking into account his or her performance and responsibilities within the Group. In deciding the appropriate level, the committee has access to external research and information on a range of peer companies.

Share options

The committee believes that share ownership by Executive Directors and senior management also helps to strengthen the link between their personal interests and the longer term interests of the Company's Shareholders. Grants of options are based on performance and are reviewed annually. Exceptionally, grants may be awarded on appointment.

Movements in share options are detailed in note 17.

Pension arrangements

The Group operates an approved money purchase pension scheme for Executive Directors and certain other members of staff. Members of the scheme contribute 5% of their salary, and the Group contributes 9%.

The Group has auto enrolled their eligible staff into the NEST (National Employment Savings Trust) pension scheme. Initially Members of the scheme contribute 1% of their salary, and the Group contributes 1%. From April 2017 Members of the scheme will contribute 3% of their salary, and the Group will contribute 2%. From April 2018 Members of the scheme will contribute 5% of their salary, and the Group will contribute 3%.

Non-executive Directors' remuneration

Fees payable to Non-executive Directors are determined by the Board of Directors, other than the Non-executive Directors, within the limits set by the Articles of Association.

Service contracts and re-election to the Board

At the Annual General Meeting, one third of the Directors will retire by rotation and, if eligible, may offer themselves for re-election. All Executives and Non-executive Directors have notice periods or unexpired terms not greater than twelve months.

Executive Directors' other appointments

Executive Directors are not permitted to hold any other Executive positions but, subject to Board approval, may hold Non-executive Directorships.

DIRECTORS' REMUNERATION REPORT

Directors' remuneration

	Current contractual annual salary/fees	Salary/fees	Other benefits	**52 weeks 29 January 2017**	52 weeks 31 January 2016
	£	£	£	**£**	£
Executive					
R E G Peel	45,500	45,500	828	**46,328**	46,420
N D L Parrish	68,250	67,500	903	**68,403**	64,721
Non-executive					
C J Govett	–	–	–	**–**	13,846
K P Benham	20,000	20,000	–	**20,000**	20,000
H H Fentum	20,000	10,462	–	**10,462**	–
N P G Petersen	–	–	–	**–**	–
Total	153,750	143,462	1,731	**145,193**	144,987

Other benefits consist of private health and life insurance.

Directors' pension arrangements

A contributory money purchase pension scheme is in operation and the amounts paid by the Group were:

	52 weeks 29 January 2017	52 weeks 31 January 2016
	£	£
Executive		
R E G Peel	**–**	–
N D L Parrish	**6,075**	5,746
Total	**6,075**	5,746

Share options granted to Directors

	Date of grant	Number of options granted	Exercise price per share (pence)	Earliest exercise date	Expiry date
Executive					
N D L Parrish	23.05.07	5,000	163.5	23.05.10	22.05.17
Total		5,000			

The market price of the shares at 29 January 2017 was 131.5 pence and the range during the year was 95.0 pence to 131.5 pence.

By order of the board
Keith Benham
Non-executive Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEEL HOTELS PLC

We have audited the financial statements of Peel Hotels plc for the year ended 29 January 2017 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, the consolidated and parent company balance sheets, the consolidated and parent company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 29 January 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEEL HOTELS PLC

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared, is consistent with the financial Statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Houghton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
19 July 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 January 2017

	Note	2017 £	2017 £	2016 £	2016 £
Revenue			**16,790,320**		17,011,472
Cost of sales			**(13,852,109)**		(13,767,071)
Gross profit			**2,938,211**		3,244,401
Administration expenses		**(687,883)**		(673,583)	
Exceptional expense	**3**	**(170,500)**		–	
Depreciation	**11**	**(981,594)**		(1,011,204)	
Total administration expenses			**(1,839,977)**		(1,684,787)
Operating profit			**1,098,234**		1,559,614
Finance expense	**6**		**(522,847)**		(566,007)
Profit before tax			**575,387**		993,607
Income tax	**7**		**(140,665)**		(195,341)
Profit and total comprehensive income for the period attributable to owners			**434,722**		798,266
Earnings per share Basic & diluted (pence)	**8**		**3.1**		5.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended 29 January 2017 and 31 January 2016

Year ended 29 January 2017

	Share Capital £	Share premium account £	Profit and loss account £	Total £
Balance brought forward at 1 February 2016	1,401,213	9,743,495	12,620,907	23,765,615
Profit and total comprehensive Income for the period	–	–	434,722	434,722
Transaction with owners				
Dividend	–	–	(280,242)	(280,242)
Balance at 29 January 2017	1,401,213	9,743,495	12,775,387	23,920,095

Year ended 31 January 2016

	Share Capital £	Share premium account £	Profit and loss account £	Total £
Balance brought forward at 2 February 2015	1,401,213	9,743,495	12,032,823	23,177,531
Profit and total comprehensive Income for the period	–	–	798,266	798,266
Transaction with owners				
Dividend	–	–	(210,182)	(210,182)
Balance at 31 January 2016	1,401,213	9,743,495	12,620,907	23,765,615

COMPANY STATEMENT OF CHANGES IN EQUITY

for the years ended 29 January 2017 and 31 January 2016

Year ended 29 January 2017

	Share Capital £	Share premium account £	Profit and loss account £	Total £
Balance brought forward at 1 February 2016	1,401,213	9,743,495	11,332,283	22,476,991
Loss and total comprehensive Income for the period	–	–	(17,542)	(17,542)
Transaction with owners				
Dividend	–	–	(280,242)	(280,242)
Balance at 29 January 2017	1,401,213	9,743,495	11,034,499	22,179,207

Year ended 31 January 2016

	Share Capital £	Share premium account £	Profit and loss account £	Total £
Balance brought forward at 2 February 2015	1,401,213	9,743,495	11,149,264	22,293,972
Profit and total comprehensive Income for the period	–	–	393,201	393,201
Transaction with owners				
Dividend	–	–	(210,182)	(210,182)
Balance at 31 January 2016	1,401,213	9,743,495	11,332,283	22,476,991

CONSOLIDATED BALANCE SHEET

at 29 January 2017

	Note	2017 £	2016 £
Assets			
Non-current assets			
Property, plant and equipment	11	35,502,564	35,772,573
Total non-current assets		35,502,564	35,772,573
Current assets			
Inventories	12	114,034	112,585
Trade and other receivables	13	1,095,481	1,240,178
Cash and cash equivalents		292,653	282,766
Total current assets		1,502,168	1,635,529
Total assets		37,004,732	37,408,102
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	18	1,401,213	1,401,213
Share premium		9,743,495	9,743,495
Retained earnings		12,775,387	12,620,907
Total equity		23,920,095	23,765,615
Liabilities			
Non-current			
Borrowings	15	1,030,000	9,490,792
Deferred tax liabilities	16	861,330	919,308
Non-current liabilities		1,891,330	10,410,100
Current			
Trade and other payables	14	2,259,437	2,159,583
Borrowings	15	8,817,422	926,830
Current tax liabilities		116,448	145,974
Current liabilities		11,193,307	3,232,387
Total liabilities and equity		37,004,732	37,408,102

The accompanying accounting policies and notes form an integral part of these financial statements.

Approved by the Board on 19 July 2017
Robert Peel, Director
Nicholas Parrish, Director
Company number: 3473990

COMPANY BALANCE SHEET

at 29 January 2017

	Note	2017 £	2016 £
Assets			
Non-current assets			
Property, plant and equipment	**11**	**32,547,299**	32,911,607
Amounts owed by group undertakings		**1,036,466**	1,790,807
Investments	**10**	**3**	3
Total non-current assets		**33,583,768**	34,702,417
Current assets			
Inventories	**12**	**82,307**	81,761
Trade and other receivables	**13**	**818,765**	872,895
Cash and cash equivalents		**277,199**	247,270
Total current assets		**1,178,271**	1,201,926
Total assets		**34,762,039**	35,904,343
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	**18**	**1,401,213**	1,401,213
Share premium		**9,743,495**	9,743,495
Retained earnings		**11,034,499**	11,332,283
Total equity		**22,179,207**	22,476,991
Liabilities			
Non-current			
Borrowings	**15**	**1,030,000**	9,490,792
Deferred tax liabilities	**16**	**845,459**	916,468
Non-current liabilities		**1,875,459**	10,407,260
Current			
Trade and other payables	**14**	**1,833,503**	2,022,680
Borrowings	**15**	**8,817,422**	926,830
Current tax liabilities		**56,448**	70,582
Current liabilities		**10,707,373**	3,020,092
Total liabilities and equity		**34,762,039**	35,904,343

The retained earnings figure includes a loss for the year of £17,542 (2016: profit of £393,201).The accompanying accounting policies and notes form an integral part of these financial statements.

Approved by the Board on 19 July 2017
Robert Peel, Director
Nicholas Parrish, Director
Company number: 3473990

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 29 January 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the year	**434,722**	798,266
Adjustments for:		
Financial income	**–**	–
Financial expense	**522,847**	566,007
Fair value movement on derivative	**–**	–
Income tax	**140,665**	195,341
Depreciation	**981,594**	1,011,204
Cash flows before changes in working capital and provisions	**2,079,828**	2,570,818
UK corporation tax paid	**(228,168)**	(305,666)
Decrease/(increase) in trade and other receivables	**149,237**	(223,368)
Increase in trade and other payables	**112,381**	192,753
(Increase) in inventories	**(1,449)**	(9,297)
Net cash from operating activities	**2,111,829**	2,225,240
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(710,701)**	(690,900)
Net cash outflow from investing activities	**(710,701)**	(690,900)
Cash flows from financing activities		
Interest paid	**(480,223)**	(508,285)
Loan repayments	**(410,000)**	(706,054)
Equity dividends paid	**(280,242)**	(210,182)
Net cash outflow from financing activities	**(1,170,465)**	(1,424,521)
Net increase in cash and cash equivalents	**230,663**	109,819
Cash and cash equivalents at the beginning of the period	**61,990**	(47,829)
Cash and cash equivalents at the end of the period	**292,653**	61,990
For the purposes of the cash flow statement, cash and cash equivalents comprise:		
Cash and bank balances	292,653	282,766
Bank overdrafts	–	(220,776)

COMPANY CASH FLOW STATEMENT

for the year ended 29 January 2017

	2017	2016
	£	£
Cash flows from operating activities		
Profit for the year	**(17,542)**	393,201
Adjustments for:		
Financial income	**–**	–
Financial expense	**522,847**	566,007
Fair value movement on derivative	**–**	–
Income tax	**67,634**	126,360
Depreciation	**783,870**	774,690
Cash flows before changes in working capital and provisions	**1,356,809**	1,860,258
UK corporation tax paid	**(152,778)**	(286,049)
Decrease in trade and other receivables	**813,013**	356,792
(Decrease)/increase in trade and other payables	**(175,766)**	182,830
(Increase) in inventories	**(546)**	(2,383)
Net cash from operating activities	**1,840,732**	2,111,448
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(419,562)**	(577,473)
Net cash outflow from investing activities	**(419,562)**	(577,473)
Cash flows from financing activities		
Interest paid	**(480,223)**	(508,285)
Loan repayments	**(410,000)**	(706,054)
Equity dividends paid	**(280,242)**	(210,182)
Net cash outflow from financing activities	**(1,170,465)**	(1,424,521)
Net increase in cash and cash equivalents	**250,705**	109,454
Cash and cash equivalents at the beginning of the period	**26,494**	(82,960)
Cash and cash equivalents at the end of the period	**277,199**	26,494

For the purposes of the cash flow statement, cash and cash equivalents comprise:

Cash and bank balances	277,199	247,270
Bank overdrafts	–	(220,776)

NOTES

(forming part of the financial statements)

1 Accounting policies

Significant accounting policies

Peel Hotels plc (the "Company") is a public limited company incorporated in the UK.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of preparation

The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The financial statements have been prepared under the historical cost convention.

The financial statements are presented in sterling.

Significant judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors consider that the key judgements and sources of estimation made in preparation of the financial statements are:

Property, plant and equipment: The assessment of the useful economic lives requires judgement in order that depreciation can be charged over the life selected. This also includes the assessment of the level of residual value that will be attributed to assets. Also, judgement is required in determining whether the carrying values of the assets have any indication of impairment and, if so, whether these values can be supported by the net present value of future cash flows to be derived from the asset. This forecast involves estimates of cash flows and selection of an appropriate discount rate and these are updated on an annual basis based on current expectations.

Classification of leases: The classification of leases requires judgement in order that they may properly be classified as finance leases or operating leases. This judgement involves assessment of all the terms and conditions of the lease to ascertain whether the Group bears substantially all the risks and rewards related to the ownership of the leased asset.

The following new standards, amendments to standards and interpretations will be mandatory for the first time in future financial periods:

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (IASB effective date 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (IASB effective date 1 January 2018)

NOTES

- IFRS 16 Leases (IASB effective date 1 January 2019)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of assets between an investor and its associate or joint venture (deferred indefinitely)
- Amendments to IFRS 12: Recognition of deferred Tax Assets for Unrealised Losses (IASB effective date 1 January 2017)
- Amendments to IFRS 7: Disclosure Initiative (IASB effective date 1 January 2017)
- Clarification to IFRS 15: Revenue from Contracts with Customers (IASB effective date 1 January 2018)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (IASB effective date 1 January 2018)
- Amendments to IFRS 4: Applying IFRS 9 financial instruments with IFRS 4 Insurance Contracts (IASB effective date 1 January 2018)
- Annual improvements to IFRS 2014-2016 Cycle – relating to IFRS 1: First time adoption of IFRS and IAS 28 Investment in associates and joint ventures (IASB effective date 1 January 2017)
- Annual improvements to IFRS 2014-2016 Cycle – relating to IFRS 12: Disclosure of interest in other entities (IASB effective date 1 January 2018)
- IFRIC Interpretation 22: Foreign currency transactions and advance considerations (IASB effective date 1 January 2018)
- Disclosure Initiaitive: Amendments to IAS 7 Statement of Cash Flows (IASB effective date 1 January 2017)
- Amendments to IAS 12: Recognition of Deferred Tax assets for Unrealised Losses (IASB effective date 1 January 2017)

In all instances, the Board will consider the impact that these standards may have on the January 2018 financial statements.

Other than the changes to IFRS 16, the effect of the adoption of these standards is expected to be presentational only. The changes to IFRS 16 are expected to bring more leases, currently treated as operating leases, on to the balance sheet of companies. The Board will review the potential impact on the Group's leases in advance of the standard's effective date.

The following principal accounting policies have been applied consistently to all periods presented in these financial statements.

Revenue recognition

Revenue comprises revenue from the sale of goods and the rendering of services.

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding sales tax, rebates, and trade discounts.

Room and inclusive breakfast revenue is recognised at the end of the financial day. All other revenue such as bar and restaurant takings are recognised at the point of sale.

Any deposits received are included in other creditors and are utilised at check-in.

NOTES

Basis of consolidation

The Group financial statements consolidate those of the parent Company and all of its subsidiaries as at 29 January 2017. All subsidiaries have a reporting date of 29 January 2017. Subsidiaries are all entities over which the Group has the power to direct activities, has rights to variable returns from its investment and has the ability to affect the amount of return received, generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. All subsidiaries share the same reporting date as the Company.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Assets transferred between Group Companies are transferred at their net book value.

Property, plant and equipment

It is the Group's policy to maintain its properties to a high standard in order to protect its trade.

Depreciation is charged on properties, excluding freehold land, at a rate calculated to write off the cost, less residual value, on a straight line basis, over 50 years.

On other assets depreciation is charged to write off their costs by equal annual instalments over their estimated useful lives, which are considered to be:

Plant, fixtures and fittings, and equipment	10 years
Soft furnishings	8 years
Office equipment	5 years
Computer equipment	3 years

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

Government Grants

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Grants related to the purchase of assets are deducted from the cost of the relevant assets.

Impairment

The carrying amount of the Group's non-financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss.

An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are identifiable cash flows.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets of the unit (group of units), on a pro-rata basis.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

Financial instruments

Non-derivative financial instruments comprise trade and other receivables, intra-group receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset.

NOTES

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits.

Trade and other receivables

Trade receivables are initially recognised at fair value and are subsequently carried at amortised cost. Where debtor balances are considered to be irrecoverable, in full or part, an impairment charge is recognised in profit or loss.

Intra-group receivables

Intra-group receivables are initially recognised at fair value and are subsequently carried at amortised cost. Where debtor balances are considered to be irrecoverable, in full or part, an impairment charge is recognised in profit or loss. No interest is charged on these amounts.

Trade payables

Trade payables are not interest-bearing and are stated at their fair value net of direct issue costs and are subsequently measured at amortised cost.

Post retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to profit or loss represents the contributions payable to the scheme in respect of the accounting period.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Current tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity and tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in previous years.

Deferred tax is provided using the balance sheet liability method (using rates enacted at the balance sheet date), providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which an asset can be utilised. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward, as well as other income tax credits to the Group, are assessed for recognition as deferred tax assets.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged, or credited, directly to equity and deferred tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Leases

In accordance with IAS 17 Leases, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

All leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Equity settled share based payments

The fair value of awards to employees that take the form of shares or rights to shares is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date using an option pricing model. If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received, net of attributable transaction costs, are credited to share capital, and where appropriate share premium.

Exceptional items

Exceptional items are those items considered by the Directors to be of such prominence with relation to their size and/or incidence that they require separate presentation in the financial statements for these to give a true and fair view.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Profit and loss reserve" represents retained profits.

NOTES

2 Segment analysis

All revenue and operating profit is derived from the main activity of the Group, being the operation of hotels. All revenue arose in the UK.

Each hotel is considered to be a separate operating segment of the Group based on the information provided to the Chief Operating Decision Maker (considered to be the Board of Directors). These segments are aggregated for the purposes of disclosure as the aggregation criteria of International Financial Reporting Standard 8 are considered to be met.

All non-current assets are located in the UK.

3 Expenses and auditor's remuneration

Included in profit are the following:

	2017 **£**	2016 £
Depreciation	**980,710**	1,011,204
Repairs and renewals - hotels	**661,317**	671,791
Repairs and renewals - other	**24,145**	20,778
Lease payments - land and buildings	**700,538**	659,308
Lease payments - plant and equipment	**198,874**	198,839

Auditor's remuneration:

	2017 **£**	2016 £
Auditor's remuneration for audit services	**29,000**	33,800
Other services		
Auditor's remuneration for tax compliance services	**8,250**	15,390
Auditor's remuneration for other tax services	**–**	–
Audit - Group pension scheme	**1,000**	585

Included within operating profit are exceptional items totaling £170,500. These relate to back-rent charges received in the year relating to one of the Group's leasehold properties.

4 Staff numbers and costs

The average number of persons employed by the Group and Company (including Directors) during the year, analysed by category, was as follows:

	Number of employees **2017**	2016
Directors	**4**	4
Other employees	**438**	449
	442	453

NOTES

The aggregate payroll costs of these persons were as follows:

	2017 £	2016 £
Wages and salaries	**5,888,314**	5,812,428
Social security costs	**358,643**	346,404
Pension costs	**57,710**	59,648
	6,304,667	6,218,480

5 Remuneration of Directors

	2017 £	2016 £
Directors' emoluments	**145,193**	144,987
Group contributions to money purchase pension schemes	**6,075**	5,746
	151,268	150,733

The aggregate of emoluments of the highest paid Director was £68,403 (2016: £64,721) and company pension contributions of £6,075 (2016: £5,746) were made to a personal pension scheme on his behalf. The total employer's national insurance paid in respect of Directors was £15,320 (2016: £15,289).

There were no (2016: nil) members of key management other than the Directors of the Group.

6 Finance expense

Recognised in profit or loss

	2017 £	2016 £
Interest on long term bank loan	**309,115**	323,685
Interest on other loans	**99,854**	126,750
Interest on other bank borrowings	**1,640**	3,517
Bank charges, fees and instrument costs	**112,239**	112,055
	522,848	566,007

NOTES

7 Income tax expense

Recognised in profit or loss

	2017 £	2016 £
Current tax expense		
Current year	**198,615**	241,141
Adjustments for prior years	**28**	(2,378)
	198,643	238,763
Deferred tax expense		
Origination and reversal of temporary differences	**(61,683)**	(17,756)
Adjustments for prior years	**(31)**	22,569
Movement on deferred tax asset relating to derivative	**–**	–
Effect of rate change	**3,736**	(48,235)
	(57,978)	(43,422)
Total tax in profit	**140,665**	195,341

Reconciliation of effective tax rate

	2017 £	2016 £
Profit before tax for the year	**575,387**	993,607
Tax using the UK corporation tax rate of 20% (2016: 20%)	**115,077**	198,721
Non-deductible expenses	**22,504**	22,908
Rate difference	**3,051**	1,756
Change in tax rates	**-**	(48,235)
Under provided in prior years	**33**	20,191
Total tax expense	**140,665**	195,341

8 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 29 January 2017 was based on the profit attributable to ordinary shareholders of £434,722 (2016: £798,266) and a weighted average number of ordinary shares outstanding of 14,012,123 (2016: 14,012,123). No shares were issued in 2017 or 2016.

Diluted earnings per share

The potentially dilutive options in issue in 2017 and 2016 do not cause a difference between basic and diluted earnings per share.

NOTES

9 Dividends

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is nil.

10 Fixed asset investments

	Shares in Group undertakings £
Cost and net book value	3

The Company's principal subsidiary undertakings, each of whom are wholly owned, are as follows:

	Principal activity	Country of registration
Crown & Mitre (Carlisle) Limited	*Operation of hotel*	*England and Wales*
Strathdon (Nottingham) Limited	*Operation of hotel*	*England and Wales*
King Malcolm (Dunfermline) Limited	*Operation of hotel*	*England and Wales*

As a consolidated statement of comprehensive income is published, a separate statement of comprehensive income for the parent Company is omitted from the Group financial statements by virtue of section 408 of the Companies Act 2006. The loss dealt with in the financial statements of the parent Company was £17,542 (2016: £393,201 profit).

11 Property, plant and equipment

Group

	Land and buildings £	Plant and machinery £	Furniture, furnishings and equipment £	Total £
Cost				
Balance at 1 February 2015	33,823,151	3,817,460	4,803,554	**42,444,165**
Additions	70,247	144,228	476,425	**690,900**
Fully depreciated items	–	(111,551)	(471,647)	**(583,198)**
Balance at 31 January 2016	33,893,398	3,850,137	4,808,332	**42,551,867**
Additions	43,825	210,698	456,178	**710,701**
Fully depreciated items	–	(72,840)	(935,285)	**(1,008,125)**
Balance at 29 January 2017	33,937,223	3,987,995	4,329,225	**42,254,443**
Depreciation				
Balance at 1 February 2015	1,087,514	3,664,725	1,599,049	**6,351,288**
Provision for the year	110,811	258,712	641,681	**1,011,204**
Re-classification re Plant & Equip.	–	(1,134,013)	1,134,013	–
Fully depreciated items	–	(111,551)	(471,647)	**(583,198)**
Balance at 31 January 2016	1,198,325	2,677,873	2,903,096	**6,779,294**

NOTES

Group *(continued)*

	Land and buildings £	Plant and machinery £	Furniture, furnishings and equipment £	Total £
Provision for the year	110,303	292,823	577,584	**980,710**
Fully depreciated items	–	(72,840)	(935,285)	**(1,008,125)**
Balance at 29 January 2017	1,308,628	2,897,856	2,545,395	**6,751,879**
Net book value				
At 1 February 2015	32,735,637	152,735	3,204,505	**36,092,877**
At 31 January 2016	32,695,073	1,172,264	1,905,236	**35,772,573**
At 29 January 2017	**32,628,595**	**1,090,139**	**1,783,830**	**35,502,564**

Company

	Land and buildings £	Plant and machinery £	Furniture, furnishings and equipment £	Total £
Cost				
Balance at 1 February 2015	30,985,546	3,400,637	3,519,451	**37,905,634**
Additions	67,758	130,079	379,636	**577,473**
Fully depreciated items	–	(111,551)	(405,735)	**(517,286)**
Balance at 31 January 2016	31,053,304	3,419,165	3,493,352	**37,965,821**
Additions	15,931	106,296	297,335	**419,562**
Fully depreciated items	–	(35,472)	(422,166)	**(457,638)**
Balance at 29 January 2017	31,069,235	3,489,989	3,368,521	**37,927,745**
Depreciation				
Balance at 1 February 2015	621,119	3,038,498	1,137,193	**4,796,810**
Provision for the year	57,797	324,806	392,087	**774,690**
Re-classification re Plant & Equip.	–	(749,463)	749,463	–
Fully depreciated items	–	(111,551)	(405,735)	**(517,286)**
Balance at 31 January 2016	678,916	2,502,290	1,873,008	**5,054,214**
Provision for the year	57,921	334,267	391,682	**783,870**
Fully depreciated items	–	(35,472)	(422,166)	**(457,638)**
Balance at 29 January 2017	736,837	2,801,085	1,842,524	**5,380,446**

NOTES

Company *(continued)*

	Land and buildings £	Plant and machinery £	Furniture, furnishings and equipment £	Total £
Net book value				
At 1 February 2015	**30,364,427**	**362,139**	**2,382,258**	**33,108,824**
At 31 January 2016	**30,374,388**	**916,875**	**1,620,344**	**32,911,607**
At 29 January 2017	**30,332,398**	**688,904**	**1,525,997**	**32,547,299**

12 Inventories

Inventories comprise food and liquor.

The cost of consumed inventories in the year recognised as an expense and included in cost of sales is £1,995,793 (2016: £2,043,298).

13 Trade and other receivables

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Trade receivables	**354,076**	426,203	**256,864**	256,095
Prepayments and accrued income	**741,405**	813,975	**561,901**	616,800
	1,095,481	1,240,178	**818,765**	872,895

14 Trade and other payables

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Trade payables	**450,634**	551,309	**360,698**	551,309
Social security and other taxes	**367,928**	249,606	**334,411**	249,607
Accruals and deferred income	**1,440,875**	1,358,668	**1,138,394**	1,221,764
	2,259,437	2,159,583	**1,833,503**	2,022,680

NOTES

15 Borrowings

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial liabilities measured at amortised cost:				
Current				
Bank overdrafts	**–**	220,776	**–**	220,776
Bank loans	**8,557,422**	446,054	**8,557,422**	446,054
Other loans	**260,000**	260,000	**260,000**	260,000
Total current	**8,817,422**	926,830	**8,817,422**	926,830
Non-current				
Bank loans	**–**	8,050,792	**–**	8,050,792
Other loans	**1,030,000**	1,440,000	**1,030,000**	1,440,000
Total non-current	**1,030,000**	9,490,792	**1,030,000**	9,490,792
Total	**9,847,422**	10,417,622	**9,847,422**	10,417,622

The bank loan is secured by a debenture dated 6 March 1998 over all the Group's properties.

Subsequent to the Financial Year End the Company has negotiated a new long term financing facility with Allied Irish Bank. The terms of this new facility will enable the Company to repay the outstanding Loan Notes and Director's Loan.

16 Deferred tax

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Deferred tax liability				
At start of year	**919,308**	962,730	**916,468**	955,308
Income statement charge:				
Origination and reversal of temporary differences	**(61,683)**	4,813	**(74,714)**	9,395
Changes in rates	**3,705**	(48,235)	**3,705**	(48,235)
At end of year	**861,330**	919,308	**845,459**	916,468

NOTES

17 Share options

The Company has granted share options to employees of the Company. Such options are exercisable at a price established at the date the option is granted. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Company before the options vest.

Date granted	No. of shares	Exercise price	Exercise dates From	Exercise dates To
23 May 2007	26,000	163.5p	23 May 2010	22 May 2017
	26,000			

The number and weighted average exercise prices of share options are as follows:

	2017 Weighted Average Exercise price (pence)	2017 Number of options	2016 Weighted Average Exercise price (pence)	2016 Number of options
Outstanding at start of year	163.5	26,000	112.0	150,000
Lapsed during the year	-	-	(102.0)	(124,000)
Outstanding at end of year	163.5	26,000	163.5	26,000
Exercisable at end of year	163.5	26,000	163.5	26,000

18 Share capital

	2017 £	2016 £
Authorised - 25,000,000 ordinary shares of 10p each	**2,500,000**	2,500,000
Allotted, called up and fully paid - 14,012,123 ordinary shares of 10p each	**1,401,213**	1,401,213

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

19 Financial instruments

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- interest rate risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, investment securities and cash holdings.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Capital management

The Board's policy is to maintain a strong capital base (by consideration of ongoing dividend policy) so as to maintain investor, creditor and market confidence and to sustain future development of the business and also to ensure that gearing and interest cover is maintained at suitable levels. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital and the level of dividends to ordinary shareholders.

Capital comprises share capital, share premium and retained earnings.

Gearing on capital was 39.9% (2016: 42.6%) with interest covered 2.1 (2016: 2.8) times.

There were no changes in the Group's approach to capital management during the year. The results for the previous year and the availability of available reserves allowed the Directors to recommend a dividend of 2.0p to be paid in the year. This situation is kept under ongoing review.

The Group is not subject to externally imposed capital requirements.

Financial assets and liabilities

Summary of financial assets and liabilities by category:

NOTES

Loans and other receivables measured at amortised cost

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash and cash equivalents	**292,653**	282,766	**277,199**	247,270
Trade and other receivables excluding prepayments	**354,076**	426,203	**256,864**	256,095
Amounts owed by group undertakings	**–**	–	**1,424,466**	1,790,807
	646,729	708,969	**1,958,529**	2,294,172

Financial liabilities measured at amortised cost

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Current				
Trade and other payables	**1,891,509**	1,909,977	**1,833,503**	2,022,680
Borrowings	**8,817,422**	926,830	**8,817,422**	926,830
Non-current				
Borrowings	**1,030,000**	9,490,792	**1,030,000**	9,490,792
	11,738,931	12,327,599	**11,680,925**	12,440,302

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group Carrying amount		Company Carrying amount	
	2017 £	2016 £	**2017 £**	2016 £
Cash and cash equivalents	**292,653**	282,766	**277,199**	247,270
Trade and other receivables excluding prepayments	**354,076**	426,203	**256,864**	256,095
Amounts owed by group undertakings	**–**	–	**1,424,466**	1,790,807
	646,729	708,969	**1,958,529**	2,294,172

All of the Group's trade and other receivables have been reviewed for indicators of impairment. An impairment provision of £nil (2016: £nil) has been made against specific balances.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of the trade receivables past due but not impaired are as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Not past due	**302,507**	385,722	**215,379**	219,027
Past due 0-30 days	**29,903**	11,779	**24,028**	8,884
Past due 31-60 days	**21,666**	28,702	**17,457**	28,184
	354,076	426,203	**256,864**	256,095

Liquidity risk

The following are the contractual maturities of the Group's non-derivative financial liabilities, including interest payments and excluding the impact of netting agreements:

Group

29 January 2017

	Current On demand £	Current Within 6 months £	Current Within 6-12 months £	Non-current 1 to 5 years £
Trade and other payables	**–**	**450,634**	**–**	**–**
Bank overdrafts	**–**	**–**	**–**	**–**
Bank loans	**–**	**–**	**8,557,422**	**–**
Other loans	**–**	**140,000**	**120,000**	**1,030,000**

31 January 2016

	Current On demand £	Current Within 6 months £	Current Within 6-12 months £	Non-current 1 to 5 years £
Trade and other payables	–	551,309	–	–
Bank overdrafts	220,776	–	–	–
Bank loans	–	223,027	223,027	8,050,792
Other loans	–	190,000	185,000	1,578,000

Company

29 January 2017

	Current On demand £	Current Within 6 months £	Current Within 6-12 months £	Non-current 1 to 5 years £
Trade and other payables	**–**	**360,698**	**–**	**–**
Bank overdrafts	**–**	**–**	**–**	**–**
Bank loans	**–**	**–**	**8,557,422**	**–**
Other loans	**–**	**140,000**	**120,000**	**1,030,000**

31 January 2016

	Current On demand £	Current Within 6 months £	Current Within 6-12 months £	Non-current 1 to 5 years £
Trade and other payables	–	551,309	–	–
Bank overdrafts	220,776	–	–	–
Bank loans	–	223,027	223,027	8,050,792
Other loans	–	190,000	185,000	1,578,000

Liquidity needs are managed by regular review of the timing of expected receivables and payments (including capital payments required on the bank and other loans) and the availability of facilities and levels of cash on deposit via the preparation of cash flow forecasts. The interest payable on the bank loan is fixed by a fixed margin over six month LIBOR.

Interest rate risk
Given the current market expectations as to the movement in LIBOR in the short to medium term, it is not the Group's intention to enter into any financial instruments to manage its interest rate risk. This policy will be kept under regular review.

An increase in interest rates of 1% would have an adverse impact on the result for the year of approximately £98,000 (2016: £103,000).

Currency risk
The Group has no material foreign currency risk.

Fair values of non-derivative financial instruments
The carrying value of the Group's financial instruments (trade and other receivables, cash and bank balances, bank overdrafts, trade and other payables and borrowings) approximate to their fair value.

Market rate risk
The Group was exposed to market rate risk through exposure to six month LIBOR.

20 Operating leases
The minimum operating lease payments are as follows:

Group

	2017 Land and buildings £	2016 Land and buildings £	**2017 Plant and machinery £**	2016 Plant and machinery £
Within one year	**734,729**	659,315	**198,874**	198,839
Within one to five years	**2,779,172**	2,477,516	**198,874**	198,839
After five years	**25,397,522**	22,759,860	**–**	–
	28,911,423	25,896,691	**397,748**	397,678

Company

	2017 Land and buildings £	2016 Land and buildings £	**2017 Plant and machinery £**	2016 Plant and machinery £
Within one year	**132,111**	132,111	**145,850**	149,770
Within one to five years	**368,700**	368,700	**145,850**	149,770
After five years	**3,318,300**	3,410,475	**–**	–
	3,819,111	3,911,286	**291,700**	299,540

The leases over land and buildings have rent review clauses within them for rentals to be amended to market rent every 5-10 years.

NOTES

21 Capital commitments

Amounts contracted for, but not provided, in these financial statements amounted to £150,000 (2016: £180,000).

22 Related parties

During the year insurance premiums of £162,524 (2016: £124,144) were paid to T L Dallas & Co Ltd in which Robert Peel is a shareholder, and there is a £168,643 outstanding balance at the year end (2016: £139,409).

The Group pays rent on the London property used as its Head Office, which is owned by Robert Peel. The passing rent is £39,936 per annum.

The Director's loan of £690,000 due to R Peel (and included in other loans) is unsecured. The loan bears interest at 7.0%.

On 29 February 2012 the Company created and issued loan notes of £500,000 due to Charles Peel and £350,000 due to Robert Peel (included in other loans). During the year £75,000 was repaid to each of the loan note holders. These loan notes bear interest at 7.0%.

At the year end £600,000 was due to the loan note holders.

Amounts owed by subsidiary companies to Peel Hotels plc are detailed on page 22. No interest is paid on these amounts. A provision of £388,000 (2016: £207,000) was made against these balances during the year.

Certain staff costs are paid by Peel Hotels Plc and re-charged to the Subsidiary Companies. These costs were £1,467,872 (2016: £1,407,887).

HOTEL DIRECTORY

PEEL HOTELS PLC

19 Warwick Avenue London W9 2PS
Telephone: 020 7266 1100 Fax: 020 7289 5746

Location	Hotel	Rating	Rooms	Telephone	Facsimile
Bournemouth	The Norfolk Royale Hotel	★★★★	95	01202 551521	01202 299729
Bradford	Midland Hotel	★★★★	90	01274 735735	01274 720003
Carlisle	Crown & Mitre Hotel	★★★★	91	01228 525491	01228 514553
Dunfermline	King Malcolm Hotel	★★★★	48	01383 722611	01383 730865
Leeds	Cosmopolitan Hotel	★★★★	89	0113 2436454	0113 2429327
Newcastle upon Tyne	Caledonian Hotel	★★★★	89	0191 2817881	0191 2816241
Nottingham	Strathdon Hotel	★★★★	68	0115 9418501	0115 9483725
Peterborough	Bull Hotel	★★★★	118	01733 561364	01733 557304
Wallingford	George Hotel	★★★★	39	01491 836665	01491 825359
	Total of 9 Hotels		727		

For reservations at any Peel Hotel call **020 7266 1100**
or log onto our web site on **www.peelhotels.co.uk**
e-mail – info@peelhotel.com