PEEL HOTELS PLC

ACCOUNTS YEAR ENDING 28 JANUARY 2018

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CHAIRMAN'S STATEMENT

There is a continuing slowdown in demand in the majority of Provincial areas of the United Kingdom and that, together with upwards pressure from increases in the living wage, business rates and energy, has created challenges to the profitability of the Group. The impact is felt over the winter months when overall business is seasonally less yet the costs remain broadly the same.

On line Travel Agents give us an increasing share of our business but their costs are significant. REVPAR (accommodation revenue per available room) slipped for the first time in many years. Occupancy was down 4.9% and with average room rate up by 1% REVPAR was 3.5% down in the year which is disappointing.

In line with our strategic objective net debt decreased £1,101,207, half of which was due to timing differences. We are currently reviewing non-performing assets and look to take the necessary action to either improve our EBITDA or decrease our overall debt.

Highlights

- Turnover decreased 4.1% to £16,097,313 (2017: £16,790,320)
- Operating Profit, excluding the exceptional expenses down 29.6% to £893,115 (2017: £1,268,734). Operating loss after exceptional expense £268,126 (2017: operating profit of £1,098,234) on a statutory basis.
- EBITDA, excluding the exceptional expenses in the current and previous year, decreased 18.5% to £1,833,611 (2017: £2,250,328).
- Net debt decreased £1,101,207
- Loss before tax, (including the exceptional expense of £1,161,241 due to the impairment of the Net Book values of two leasehold properties held within subsidiaries in the current year and the previous year's exceptional expense of £170,500 re the Strathdon Hotel was £734,986 loss (2017: profit £575,387 profit)
- Basic and diluted loss per share of 6.0p (2017: 3.1p)

On 19 September 2017 the Company entered into a £9,900,000 five year term loan facility with Allied Irish Bank. This facility has been used to repay the Company's existing facilities with Royal Bank of Scotland as well as the remaining balances of the Director's Loan and Loan Notes. The revised financial structure will result in a significant reduction in financial charges going forward.

Shareholders are aware that there have been persistent problems in regard to the cost base of two of the Group's subsidiary companies, the Strathdon Hotel (Nottingham) Limited and the King Malcolm Hotel (Dunfermline) Limited. The Board have reviewed the carrying values of the two Hotels within those subsidiaries and determined that it is appropriate to write them down to zero. The impairment of the value of the two Hotels is provided for as an Exceptional Item of £1,161,241 in this year's accounts. The Board is considering its options in regard to the properties within the two Subsidiaries, including change of use, it is therefore possible that the impairment could be reversed if a more profitable future for the properties could be found.

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.

Once again the Board feel unable to recommend a dividend in respect of the Financial Year ended 28 January 2018 (2017: nil). They believe Shareholders will derive a greater benefit through the significant financial charge savings by the Group repaying 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 with progress in the Group and various promotional activities by visiting our website www.peelhotels.co.uk

Keith Benham retired on 23 August 2017. 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.

The Brexit decision and the understandable lack of clarity whilst negotiations are ongoing has impacted on commercial planning and therefore demand. We can point to the very month of the decision that turned several years of annual sales growth into sales decline. It is not unreasonable to suppose that once the terms and conditions of Brexit are clear that stability and growth will return.

We are in the process of signing up to a new Marketing initiative with a substantial International Hotelier which should give us additional income over and above the levels we currently enjoy.

We have continued to reinvest in improving the fabric and cosmetics of our Portfolio to provide our Guests with high standards.

Robert Peel
Chairman
26 July 2018

DIRECTORS AND ADVISERS

Directors

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

Secretary
Thrings LLP
20 St Andrew Street, London EC4A 3AG

Registered Office
7th Floor, 20 St Andrew Street, London EC4A 3AG

Company registration number 3473990

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

Bankers
Allied Irish Bank Plc, Berkeley Square House, Mayfair, London W1J 6BR

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

Solicitors
Thrings LLP 20 St Andrew Street, London EC4A 3AG

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 28 January 2018.

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 28 January 2018 has been a very challenging year for the Group with hotel revenues decreasing by 4.1% to £16,097,313 (2017: £16,790,320). Hotel gross profit before depreciation and Group administration expenses decreased 14.6% to £2,508,933 (2017: £2,938,211). EBITDA, excluding the exceptional expense in the current and previous years, decreased 18.5% to £1,833,611 (2017: £2,250,328).

Loss before tax, (including the exceptional expense due to impairment of the Net Book Values of two leasehold properties in the current year of £1,161,241 and the previous year's exceptional expense re the Strathdon Hotel was (£734,986) (2017: Profit £575,387).

REVPAR (accommodation revenue per available room) was down 3.5% with occupancy down 4.5% and average room rate up 1.0%.

Administration expenses decreased 1.8%. Depreciation and amortisation decreased 4.2%.

FINANCE

As at 28 January 2018 net debt stood at £8,453,562 (2017: £9,554,769) representing loans totalling £8,453,562 (2017: £9,847,422) and an overdraft of £nil (2017: £nil) less £1,287,277 (2017: £292,653) cash at bank. Gearing on Shareholders' funds was 34.8% with interest covered 1.9 times. Net debt decreased by £1,101,207 compared with the previous year.

On 19 September 2017 the Company entered into a £9,900,000 five year term loan facility with Allied Irish Bank. This facility has been used to repay the Company's existing facilities with Royal Bank of Scotland as well as the remaining balances of the Director's Loan and Loan Notes. The revised financial structure will result in a significant reduction in financial charges going forward.

CAPITAL EXPENDITURE

£705,548 (2017: £710,701) was spent in the year mainly on the refurbishment of three suites and the public areas at the Norfolk Royale. We completed the refurbishment of the public areas and ballroom at the Crown and Mitre Hotel in Carlisle. We are currently refurbishing bedrooms and upgrading air conditioning systems at the Bull Hotel in Peterborough.

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 £614,098 (2017: £661,317) 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.

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
Thrings LLP
Secretary
26 July 2018

DIRECTORS' REPORT

The Directors present their report and the financial statements of the Group for the year ended 28 January 2018.

Results and dividends

The loss for the year after tax amounted to (£844,272) (2017: profit £434,722). In lieu of repayment of the Loan Notes and the Director's Loan, the Directors recommend that no dividend be paid (2017: nil).

Executive Directors

Robert Peel, age 71, was appointed on 25 November 1997.

Nicholas Parrish, age 59, 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

Norbert Petersen, age 71, was appointed on 11 September 1998.

Haydn Fentum, age 48, was appointed on 22 July 2016. He is also Chief Executive of Bespoke Hotels.

Keith Benham, retired on 23 August 2017.

All Directors apart from Keith Benham served throughout the year.

Directors' interests

	28 January 2018		29 January 2017	
	Shares Number	Options Number	Shares Number	Options Number
Robert Peel	**5,496,900**	–	5,496,900	–
Norbert Petersen	**42,131**	–	42,131	–
Nicholas Parrish	–	–	–	5,000

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 28 January 2018.

	Number of Shares	Percentage of share capital
Charles Peel	**3,248,471**	**23.2%**
Value Investments Ltd	**1,468,038**	**10.5%**
David Urquhart	**585,000**	**4.2%**

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.

DIRECTORS' REPORT

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 as adopted by the European Union 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 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.

DIRECTORS' REPORT

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

Financial risk management
On 19 September 2017 the Company entered into a £9,900,000 five year term loan facility with Allied Irish Bank. This facility has been used to repay the Company's existing facilities with Royal Bank of Scotland as well as the remaining balances of the Director's Loan and Loan Notes. The revised financial structure will result in a significant reduction in financial charges going forward.

After the Financial Year end, the Company breached its financial covenants, which breach resulted in the Company's Bank issuing a "Reservation of Rights" letter, reserving the Bank's position in relation to the breach of covenant, whilst also confirming the Bank's current intention not to exercise any of its rights in relation to the breach.

Whilst your Directors recognise that the breach of covenant, combined with a challenging trading outlook, results in material uncertainty for the Company, and increases the possibility that the Company may be unable to continue realizing its assets and discharging its liabilities in the normal course of business which might impact upon the company's ability to continue as a going concern, they are confident that the Company has adequate resources to meet its commitments, for the reasons described below.

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, which forecasts show that: the Company will be able to meet its loan repayment and financing costs within the facility referred to above; meet its tax payments; and pay its creditors on normal terms in the 12 months from the date of signing these accounts. The Directors have considered contingency plans in the event of unforeseen deterioration beyond their prudent forecasts, including a return to support from Directors Loans, reduced capital expenditure, and the sale of assets, In reliance on their forecasts and contingency plans, your Directors are happy to continue to adopt the going concern basis of accounting in preparing the Company's annual 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 Caledonian Hotel, Newcastle on 12 September 2018 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

DIRECTORS' REPORT

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. A resolution will be proposed to re-elect Nick Parrish who retires by rotation in accordance with the Company's Articles of Association and who, being eligible, offers himself for re-election.

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
7th Floor
20 St Andrew Street,
London EC4A 3AG

By order of the board
Thrings LLP
Secretary
26 July 2018

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, but will need to from October 2018.

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 two 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 six occasions in the financial period to 28 January 2018). 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 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. There has been a change in the lead Auditor from Grant Thornton UK LLP in the current year. This was following the extension by one year of the tenure of the previous lead Auditor on quality grounds as requested by the Audit committee.

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 mis-statement 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 4 weekly 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 28 January 2018 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 Haydn Fentum. 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 contributed 1% of their salary, and the Group contributed 1%. From April 2017 Members of the scheme contribute 3% of their salary, and the Group contribute 2%. From April 2019 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 28 January 2018 £	52 weeks 29 January 2017 £
Executive					
R E G Peel	45,500	45,500	555	46,055	46,328
N D L Parrish	71,750	69,327	925	70,252	68,403
Non-executive					
K P Benham		12,308	-	**12,308**	20,000
H H J Fentum	20,000	20,000	-	**20,000**	10,462
N P G Petersen	-	-	-	-	-
Total	137,250	147,135	1,480	**148,615**	145,193

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 28 January 2018 £	52 weeks 29 January 2017 £
Executive		
R E G Peel	-	-
N D L Parrish	**6,239**	6,075
Total	**6,075**	6,075

Share options granted to Directors

All share options have now expired.

The market price of the shares at 28 January 2018 was 95.0 pence and the range during the year was 95.0 pence to 146.0 pence.

By order of the board

Haydn Fentum
Non-executive Director

Independent auditor's report to the members of Peel Hotels Plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Peel Hotels Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 28 January 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity, the consolidated and company balance sheets, the consolidated and company cash flow statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements 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.

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 28 January 2018 and of the group's loss 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 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which indicates that subsequent to the financial year end, the Company was in breach of its financial covenants as at the 22 April 2018 test date. As stated in note 1, this event, combined with a challenging trading outlook, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Who we are reporting to

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.

Overview of our audit approach

- Overall materiality: £243,000, which represents 1.5% of the group's revenue for the year
- Key audit matters were identified as revenue recognition and the carrying value of property, plant and equipment
- We have assessed the components within the group by considering each as a percentage of the group's total assets, liabilities, revenues and profit before tax. We determined that all components were significant and therefore performed comprehensive audits on all components.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group and Parent Company	**How the matter was addressed in the audit – Group and Parent Company**
Risk 1 – Revenue recognition	
There is a risk that revenue may be misstated due to the improper recognition of revenue. Revenue is a key driver of the business and in respect of services provided there is a risk that revenue is recorded inappropriately relative to the provision of the underlying service. We have therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Documenting our understanding of the systems and controls around the recording of revenue and assessing the design effectiveness of such controls. • Evaluation of the revenue recognition policies for compliance with IAS 18 'Revenue', and consistency with the prior period. • For a sample of revenue transactions assessing them against supporting documentation to determine whether income has been appropriately recognised in accordance with IAS 18 'Revenue' and the group's accounting policy. • Comparison of revenue with that for the prior year and obtaining of explanations for significant or unusual variances. • Assessment of sales recorded around the financial year end to determine if recorded in the correct accounting period. The group's accounting policy on revenue

Key Audit Matter – Group and Parent Company	**How the matter was addressed in the audit – Group and Parent Company**
	recognition is shown in note 1 – Revenue recognition to the financial statements and related disclosures are included in note 2. **Key observations** Based on our work we have found that revenues were being accounted for in accordance with the group's accounting policies and IAS 18 'Revenues'.
Risk 2 – Carrying value of property, plant and equipment	
The group financial statements record property, plant and equipment of £34.1m at 28 January 2018. Management has undertaken an assessment of the carrying value of these assets by reference to external market factors and discounted cashflows in relation to cash generating units that include these assets. Where there are indicators of impairment management have performed an impairment review in accordance with IAS 36 'Impairment of assets'. There are significant judgements in the discounted cash flow calculations, including forecast operating cash flows, capital expenditure and discount rates. We therefore identified the carrying value of property, plant and equipment as one of the most significant risks of material misstatement.	Our audit work included, but was not restricted to: • Reading management's paper on impairment and challenging the valuation approach used and the identification of cash generating units. • Testing the accuracy of management's forecasting through a comparison of historical data to 2018 actual results and projections for following periods. • Challenging the appropriateness of management's assumptions; including the discount rate used by reference to market data, including risk free rates and size premium data. • Where market data was used for support, assessing the source and relevance of this data. • Assessing the adequacy of the disclosures in the financial statements for the requirements of IAS 36 'Impairment of assets'. The group's accounting policy on valuation of non-current assets is shown in note 1 'Impairment' to the financial statements and related disclosures are included in note 11. **Key observations** Based on our audit work, and following the recording of an impairment charge, the valuation of non-current assets is accounted for in accordance with the group's accounting policies, IAS 16 'Property, plant

Key Audit Matter – Group and Parent Company	How the matter was addressed in the audit – Group and Parent Company
	and equipment' and IAS 36 'Impairment of assets'.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Parent Company
Financial statements as a whole	£243,000 which is 1.5% of preliminary estimate of revenue. This benchmark is considered the most appropriate because revenue is a key performance indicator of the group and is a stable base. Materiality for the current year is higher than the level that we determined for the year ended 29 January 2017 due to a reappraisal of the most relevant metric upon which to base the calculation.	£182,000 which is 1.5% of revenues capped to 75% of group materiality. This benchmark is considered the most appropriate because revenue is a key performance indicator of the company and is a stable base. Materiality for the current year is higher than the level that we determined for the year ended 29 January 2017 due to a reappraisal of the most relevant metric upon which to base the calculation.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Tolerance for potential unrecorded misstatements	25% of financial statement materiality	25% of financial statement materiality
Communication of misstatements to the audit committee	£12,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£9,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Documentation of the processes and controls covering all of significant risks.

- Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality.
- All components within the group were subject to a comprehensive audit approach, which included a combination of substantive testing and analytical procedures. Materiality was capped where relevant at 75% of group materiality.
- The accounting functions are performed centrally for all entities. All audit work has been undertaken by the group audit team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- 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.

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Mark Overfield BSC FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
26 July 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 January 2018

	Note	£	2018 £	£	2017 £
Revenue			**16,097,313**		16,790,320
Cost of sales			**(13,588,380)**		(13,852,109)
Gross profit			**2,508,933**		2,938,211
Administration expenses		**(675,322)**		(687,883)	
Exceptional expense	3	**(1,161,241)**		(170,500)	
Depreciation	11	**(940,496)**		(981,594)	
Total administration expenses			**(2,777,059)**		(1,839,977)
Operating profit			**(268,126)**		1,098,234
Finance expense	6		**(466,860)**		(522,847)
Profit/(Loss) before tax			**(734,986)**		575,387
Income tax	7		**(109,286)**		(140,665)
Profit/ (Loss) and total comprehensive income for the period attributable to owners			**(844,272)**		434,722
Earnings per share Basic & diluted (pence)	8		**(6.0)**		3.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended 28 January 2018 and 29 January 2017

Year ended 28 January 2018

	Share Capital £	Share premium account £	Profit and loss account £	Total £
Balance brought forward at 30 January 2017	1,401,213	9,743,495	12,775,387	23,920,095
Profit and total comprehensive Income for the period	–	–	(844,272)	(844,272)
Transaction with owners				
Dividend	–	–	–	–
Balance at 28 January 2018	1,401,213	9,743,495	11,931,115	23,075,823

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

COMPANY STATEMENT OF CHANGES IN EQUITY

for the years ended 28 January 2018 and 29 January 2017

Year ended 28 January 2018

	Share Capital £	Share premium account £	Profit and loss account £	Total £
Balance brought forward at 30 January 2017	1,401,213	9,743,495	11,034,499	22,179,207
Loss and total comprehensive Income for the period	–	–	(1,230,146)	(1,230,146)
Transaction with owners				
Dividend	–	–	–	–
Balance at 28 January 2018	1,401,213	9,743,495	9,804,353	20,949,061

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
Profit 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

CONSOLIDATED BALANCE SHEET

at 28 January 2018

	Note	2018 £	2017 £
Assets			
Non-current assets			
Property, plant and equipment	11	34,106,375	35,502,564
Total non-current assets		34,106,375	35,502,564
Current assets			
Inventories	12	109,271	114,034
Trade and other receivables	13	845,058	1,095,481
Cash and cash equivalents		1,287,277	292,653
Total current assets		2,241,606	1,502,168
Total assets		36,347,981	37,004,732
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		11,931,115	12,775,387
Total equity		23,075,823	23,920,095
Liabilities			
Non-current			
Borrowings	15	9,240,839	1,030,000
Deferred tax liabilities	16	824,009	861,330
Non-current liabilities		10,064,848	1,891,330
Current			
Trade and other payables	14	2,636,396	2,259,437
Borrowings	15	500,000	8,817,422
Current tax liabilities		70,914	116,448
Current liabilities		3,207,310	11,193,307
Total liabilities and equity		36,347,981	37,004,732

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

Approved and authorised for issue by the Board 26 July 2018
Robert Peel, Director
Nicholas Parrish, Director
Company number: 3473990

COMPANY BALANCE SHEET

at 28 January 2018

	Note	2018 £	2017 £
Assets			
Non-current assets			
Property, plant and equipment	11	32,257,181	32,547,299
Amounts owed by Group undertakings		-	1,036,466
Investments	10	3	3
Total non-current assets		32,257,184	33,583,768
Current assets			
Inventories	12	78,480	82,307
Trade and other receivables	13	604,158	818,765
Cash and cash equivalents		1,269,823	277,199
Current tax asset		57	-
Total current assets		1,952,518	1,178,271
Total assets		34,209,702	34,762,039
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		9,804,353	11,034,499
Total equity		20,949,061	22,179,207
Liabilities			
Non-current			
Borrowings	15	9,240,839	1,030,000
Deferred tax liabilities	16	811,767	845,459
Non-current liabilities		10,052,606	1,875,459
Current			
Trade and other payables	14	2,708,035	1,833,503
Borrowings	15	500,000	8,817,422
Current tax liabilities		-	56,448
Current liabilities		3,208,035	10,707,373
Total liabilities and equity		34,209,702	34,762,039

The retained earnings figure includes a loss for the year of £1,230,146 (2017: loss of £17,542).The accompanying accounting policies and notes form an integral part of these financial statements.

Approved and authorised for issue by the Board 26 July 2018

Robert Peel, Director

Company number: 3473990

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 28 January 2018

	2018 £	2017 £
Cash flows from operating activities		
Loss for the year	**(844,272)**	434,722
Adjustments for:		
Financial income	**-**	-
Financial expense	**466,860**	522,847
Income tax	**109,286**	140,665
Depreciation	**2,101,737**	981,594
Cash flows before changes in working capital and provisions	**1,833,611**	2,079,828
UK corporation tax paid	**(192,142)**	(228,168)
Decrease in trade and other receivables	**383,811**	149,237
Increase in trade and other payables	**437,903**	112,381
Decrease/(Increase) in inventories	**4,763**	(1,449)
Net cash from operating activities	**2,467,946**	2,111,829
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(705,548)**	(710,701)
Net cash outflow from investing activities	**(705,548)**	(710,701)
Cash flows from financing activities		
Interest paid	**(661,192)**	(480,223)
New Loan	**9,740,840**	-
Loan repayments	**(9,847,422)**	(410,000)
Equity dividends paid	**-**	(280,242)
Net cash outflow from financing activities	**(767,774)**	(1,170,465)
Net increase in cash and cash equivalents	**994,624**	230,663
Cash and cash equivalents at the beginning of the period	**292,653**	61,990
Cash and cash equivalents at the end of the period	**1,287,277**	292,653
<u>Analysis of net debt</u>		
Cash and cash equivalents at the end of the period	**1,287,277**	292,653
Debt due within one year	**(500,000)**	(9,847,422)
Debt due after one year	**(9,240,839)**	-
Total net debt	**(8,453,562)**	(9,554,769)

COMPANY CASH FLOW STATEMENT

for the year ended 28 January 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the year	**(1,230,146)**	(17,542)
Adjustments for:		
Financial income	-	-
Financial expense	**466,860**	522,847
Income tax	**41,944**	67,634
Depreciation	**723,535**	783,870
Cash flows before changes in working capital and provisions	**2,193**	1,356,809
UK corporation tax paid	**(132,141)**	(152,778)
Decrease in trade and other receivables	**1,267,567**	813,013
(Decrease)/increase in trade and other payables	**1,052,369**	(175,766)
Decrease/(Increase) in inventories	**3,827**	(546)
Net cash from operating activities	**2,193,815**	1,840,732
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(433,417)**	(419,562)
Net cash outflow from investing activities	**(433,417)**	(419,562)
Cash flows from financing activities		
Interest paid	**(661,192)**	(480,223)
New Loan	**9,740,840**	-
Loan repayments	**(9,847,422)**	(410,000)
Equity dividends paid	-	(280,242)
Net cash outflow from financing activities	**(767,774)**	(1,170,465)
Net increase in cash and cash equivalents	**992,624**	250,705
Cash and cash equivalents at the beginning of the period	**277,199**	26,494
Cash and cash equivalents at the end of the period	**1,269,823**	277,199

Analysis of net debt

Cash and cash equivalents at the end of the period	**1,269,823**	277,199
Debt due within one year	**(500,000)**	(9,847,422)
Debt due after one year	**(9,240,839)**	-
Total net debt	**(8,471,016)**	(9,570,223)

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.

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.

NOTES

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 15 Revenue from Contracts with Customers (IASB effective date 1 January 2018)
- IFRS 16 Leases (IASB effective date 1 January 2019)
- 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)
- Annual improvements to IFRS Standards 2015-2017 Cycle (IASB effective date 1 January 2019)
- Amendments to References to the Conceptual Framework in IFRS Standards (IASB effective date 1 January 2020)

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 all 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.

NOTES

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.

Basis of consolidation

The Group financial statements consolidate those of the parent Company and all of its subsidiaries as at 28 January 2018. All subsidiaries have a reporting date of 28 January 2018. Peel Hotels Plc work to a 364 day financial year, hence the previous financial year end was 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.

Going concern

On 19 September 2017 the Company entered into a £9,900,000 five year term loan facility with Allied Irish Bank. This facility has been used to repay the Company's existing facilities with Royal Bank of Scotland as well as the remaining balances of the Director's Loan and Loan Notes. The revised financial structure will result in a significant reduction in financial charges going forward.

NOTES

After the Financial Year end, the Company breached its financial covenants, which breach resulted in the Company's Bank issuing a "Reservation of Rights" letter, reserving the Bank's position in relation to the breach of covenant, whilst also confirming the Bank's current intention not to exercise any of its rights in relation to the breach.

Whilst your Directors recognise that the breach of covenant, combined with a challenging trading outlook, results in material uncertainty for the Company, and increases the possibility that the Company may be unable to continue realizing its assets and discharging its liabilities in the normal course of business which might impact upon the company's ability to continue as a going concern, they are confident that the Company has adequate resources to meet its commitments, for the reasons described below.

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, which forecasts show that: the Company will be able to meet its loan repayment and financing costs within the facility referred to above; meet its tax payments; and pay its creditors on normal terms in the 12 months from the date of signing these accounts. The Directors have considered contingency plans in the event of unforeseen deterioration beyond their prudent forecasts, including a return to support from Directors Loans, reduced capital expenditure, and the sale of assets, In reliance on their forecasts and contingency plans, your Directors are happy to continue to adopt the going concern basis of accounting in preparing the Company's annual financial statements.

Goodwill

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.

NOTES

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. 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.

NOTES

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.

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.

NOTES

3 Expenses and auditor's remuneration

Included in profit are the following:

	2018 £	2017 £
Depreciation	**940,496**	980,710
Exceptional expense	**1,161,241**	170,500
Repairs and renewals - hotels	**614,098**	661,317
Repairs and renewals - other	**20,750**	24,145
Lease payments - land and buildings	**732,914**	700,538
Lease payments - plant and equipment	**216,999**	198,874

Auditor's remuneration:

	2018 £	2017 £
Auditor's remuneration for audit services	**31,000**	29,000
Other services		
Auditor's remuneration for tax compliance services	**8,250**	8,250
Auditor's review of interim accounts	**4,500**	-
Audit - Group pension scheme	**705**	1,000

Shareholders are aware that there have been persistent problems in regard to the cost base of two of the Group's subsidiary companies, the Strathdon Hotel (Nottingham) Limited and the King Malcolm Hotel (Dunfermline) Limited. The Board have reviewed the carrying values of the two Hotels within those subsidiaries and determined that it is appropriate to write them down to zero. The impairment of the value of the two Hotels is provided for as an Exceptional Item of £1,161,241 in this year's accounts. The Board is considering its options in regard to the properties within the two Subsidiaries, including change of use, it is therefore possible that the impairment could be reversed if a more profitable future for the properties could be found.

The exceptional of £170,500 in the previous year's account was due to a charge for back rent re the Strathdon Hotel, Nottingham.

NOTES

4 Staff numbers and costs

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

	Number of employees 2018	2017
Directors	**4**	4
Other employees	**422**	438
	426	442

The aggregate payroll costs of these persons were as follows:

	2018 £	2017 £
Wages and salaries	**5,734,847**	5,888,314
Social security costs	**356,375**	358,643
Pension costs	**56,165**	57,710
	6,147,387	6,304,667

5 Remuneration of Directors

	2018 £	2017 £
Directors' emoluments	**148,615**	145,193
Group contributions to money purchase pension schemes	**6,239**	6,075
	154,854	151,268

The aggregate of emoluments of the highest paid Director was £70,252 (2017: £68,403) and company pension contributions of £6,239 (2017: £6,075) were made to a personal pension scheme on his behalf. The total employer's national insurance paid in respect of Directors was £15,800 (2017: £15,320).

There were no (2017: nil) members of key management other than the Directors of the Group.

Further detail is included within the remuneration report on pages 14-15.

NOTES

6 Finance expense

Recognised in profit or loss

	2018 £	2017 £
Interest on long term bank loan	**292,846**	309,115
Interest on other loans	**50,602**	99,854
Interest on other bank borrowings	**-**	1,640
Bank charges, fees and instrument costs	**123,412**	112,238
	466,860	522,847

7 Income tax expense

Recognised in profit or loss

	2018 £	2017 £
Current tax expense		
Current year	**157,502**	198,615
Adjustments for prior years	**(10,895)**	28
	146,607	198,643
Deferred tax expense		
Origination and reversal of temporary differences	**(36,682)**	(61,683)
Adjustments for prior years	**(639)**	(31)
Effect of rate change	**-**	3,736
	(37,321)	(57,978)
Total tax on profit	**109,286**	140,665

Reconciliation of effective tax rate

	2018 £	2017 £
Profit/(Loss) before tax for the year	**(734,986)**	575,387
Tax using the UK corporation tax rate of 19% (2017: 20%)	**(139,647)**	115,077
Non-deductible expenses	**22,158**	22,504
Rate difference	**-**	3,051
Share based payment deferred tax release	**17,674**	-
Under/(over) provided in prior years	**(11,534)**	33
Impairment of fixed assets not qualifying for capital allowances	**220,635**	-
Total tax expense	**109,286**	140,665

NOTES

8 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 28 January 2018 was based on the loss attributable to ordinary shareholders of (£844,272) (2017: profit of £434,722) and a weighted average number of ordinary shares outstanding of 14,012,123 (2017: 14,012,123). No shares were issued in 2018 or 2017.

Diluted earnings per share

The potentially dilutive options in issue in 2018 and 2017 do not cause a difference between basic and diluted earnings per share.

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 £1,230,146 (2017: £17,542 loss).

NOTES

11 Property, plant and equipment

Group

	Land and buildings £	Plant and machinery £	Furniture, furnishings and equipment £	Total £
Cost				
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**
Additions	33,511	243,312	428,725	**705,548**
Fully depreciated items	–	(106,622)	(875,522)	**(982,144)**
Balance at 28 January 2018	33,970,734	4,124,685	3,882,428	**41,977,847**
Depreciation				
Balance at 31 January 2016	1,198,325	2,677,873	2,903,096	**6,779,294**
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**
Provision for the year	111,955	306,492	522,049	**940,496**
Fully depreciated items	–	(106,622)	(875,522)	**(982,144)**
Impairment	931,501	46,231	183,509	**1,161,241**
Balance at 28 January 2018	2,352,084	3,143,957	2,375,431	**7,871,472**
Net book value				
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**
At 28 January 2018	**31,618,650**	**980,728**	**1,506,997**	**34,106,375**

NOTES

Company

	Land and buildings £	Plant and machinery £	Furniture, furnishings and equipment £	Total £
Cost				
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**
Additions	18,950	144,307	270,160	**433,417**
Fully depreciated items	-	(86,604)	(791,276)	**(877,880)**
Balance at 28 January 2018	31,088,185	3,547,692	2,847,405	**37,483,282**
Depreciation				
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**
Provision for the year	57,953	340,038	325,544	**723,535**
Fully depreciated items	-	(86,604)	(791,276)	**(877,880)**
Balance at 28 January 2018	794,790	3,054,519	1,376,792	**5,226,101**
Net book value				
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**
At 28 January 2018	**30,293,395**	**493,173**	**1,470,613**	**32,257,181**

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 £1,900,632 (2017: £1,995,793).

NOTES

13 Trade and other receivables

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade receivables	**276,987**	354,076	**216,619**	256,864
Prepayments and accrued income	**568,071**	741,405	**387,539**	561,901
	845,058	1,095,481	**604,158**	818,765

14 Trade and other payables

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade payables	**590,261**	450,634	**449,338**	360,698
Social security and other taxes	**1,036,355**	367,928	**1,007,666**	334,411
Accruals and deferred income	**1,009,780**	1,440,875	**888,902**	1,138,394
Amounts due to group companies	-	-	**362,129**	-
	2,636,396	2,259,437	**2,708,035**	1,833,503

15 Borrowings

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial liabilities measured at amortised cost:				
Current				
Bank overdrafts	-	-	-	-
Bank loans	**500,000**	8,557,422	**500,000**	8,557,422
Other loans	-	260,000	-	260,000
Total current	**500,000**	8,817,422	**500,000**	8,817,422
Non-current				
Bank loans	**9,240,839**	-	**9,240,839**	-
Other loans	-	1,030,000	-	1,030,000
Total non-current	**9,240,839**	1,030,000	**9,240,839**	1,030,000
Total	**9,740,839**	9,847,422	**9,740,839**	9,847,422

The bank loan is secured by a debenture dated 19 September 2017 over the Group's properties.

16 Deferred tax

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Deferred tax liability				
At start of year	**861,330**	919,308	**845,459**	916,468
Income statement charge:				
Origination and reversal of temporary differences	**(37,321)**	(61,683)	**(33,692)**	(74,714)
Changes in rates	-	3,705	-	3,705
At end of year	**824,009**	861,330	**811,767**	845,459

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. All share options have now expired.

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:

	2018 Weighted Average Exercise price (pence)	2018 Number of options	2017 Weighted Average Exercise price (pence)	2017 Number of options
Outstanding at start of year	163.5	26,000	163.5	26,000
Lapsed during the year	(163.5)	26,000	-	-
Outstanding at end of year	-	-	163.5	26,000
Exercisable at end of year	-	-	163.5	26,000

NOTES

18 Share capital

	2018 £	2017 £
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.

NOTES

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 34.8% (2017: 39.9%) with interest covered 1.9 (2017: 2.1) times.

There were no changes in the Group's approach to capital management during 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:

Loans and other receivables measured at amortised cost

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash and cash equivalents	**1,287,277**	292,653	**1,269,823**	277,199
Trade and other receivables excluding prepayments	**276,987**	354,076	**216,619**	256,864
Amounts owed by group undertakings	-	-	-	1,036,466
	1,564,264	646,729	**1,486,442**	1,570,529

Financial liabilities measured at amortised cost

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Current				
Trade and other payables	**1,600,041**	1,891,509	**1,338,240**	1,499,092
Borrowings	**500,000**	8,817,422	**500,000**	8,817,422
Amounts owed to group companies	-	-	**362,129**	-
Non-current				
Borrowings	**9,240,839**	1,030,000	**9,240,839**	1,030,000
	11,340,880	11,738,931	**11,441,208**	11,346,514

NOTES

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	
	2018	2017	**2018**	2017
	£	£	**£**	£
Cash and cash equivalents	**1,287,277**	292,653	**1,269,823**	277,199
Trade and other receivables excluding prepayments	**276,987**	354,076	**216,619**	256,864
Amounts owed by group undertakings	-	-	-	1,036,466
	1,564,264	646,729	**1,486,442**	1,570,529

All of the Group's trade and other receivables have been reviewed for indicators of impairment. An impairment provision of £nil (2017: £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	Group	Company	
	2018	2017	**2017**	2017
	£	£	**£**	£
Not past due	**212,992**	302,507	**157,530**	215,379
Past due 0-30 days	**19,458**	29,903	**14,712**	24,028
Past due 31-60 days	**44,537**	21,666	**44,375**	17,457
	276,987	354,076	**216,617**	256,864

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

28 January 2018

	Current On demand £	Current Within 6 months £	Current Within 6-12 months £	Non-current 1 to 5 years £
Trade and other payables	–	**590,261**	–	–
Bank overdrafts	–	–	–	–
Bank loans	–	**250,000**	**250,000**	**9,240,839**
Other loans	–	–	–	–

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

Company

28 January 2018

	Current On demand £	Current Within 6 months £	Current Within 6-12 months £	Non-current 1 to 5 years £
Trade and other payables	–	**449,338**	–	–
Bank overdrafts	–	–	–	–
Bank loans	–	**250,000**	**250,000**	**9,240,839**
Other loans	–	–	–	–

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

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 three month LIBOR.

NOTES

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 £87,000 (2017: £98,000).

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 three month LIBOR.

NOTES

20 Operating leases

The minimum operating lease payments are as follows:

Group

	2018 Land and buildings £	2017 Land and buildings £	**2018 Plant and machinery £**	2017 Plant and machinery £
Within one year	**734,729**	734,729	**216,999**	198,874
Within one to five years	**2,779,172**	2,779,172	**216,999**	198,874
After five years	**24,339,141**	25,397,522	**–**	–
	27,853,042	28,911,423	**433,998**	397,748

Company

	2018 Land and buildings £	2017 Land and buildings £	**2018 Plant and machinery £**	2017 Plant and machinery £
Within one year	**132,111**	132,111	**160,210**	145,850
Within one to five years	**368,700**	368,700	**160,210**	145,850
After five years	**3,226,125**	3,318,300	**–**	–
	3,726,936	3,819,111	**320,420**	291,700

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

21 Capital commitments

Amounts contracted for, but not provided, in these financial statements amounted to £75,000 (2017: £150,000).

22 Related parties

During the year insurance premiums of £192,787 (2017: £162,524) were paid to T L Dallas & Co Ltd in which Robert Peel is a shareholder, and there is a £nil outstanding balance at the year end (2017: £168,643).

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 company has taken advantage of the exemption from disclosing transactions with other members of the group.

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 **0207 266 1100**

or log onto our web site on **www.peelhotels.co.uk**

e-mail – info@peelhotel.com

SHAREHOLDER INFORMATION

Financial calendar

Results announced	27 July 2018
Interim results	October 2018
Final results	April 2019

Annual General Meeting

At 12 noon on 12 September 2018 at
The Caledonian Hotel

Osborne Road

Newcastle-upon-Tyne

NE2 2AT

Registrar

Enquiries concerning holdings of the Company's shares and notification of a holder's change of address should be addressed to:

Computershare Investor Services PLC

The Pavilions

Bridgewater Road

Bristol BS13 8AE