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CHAIRMAN'S STATEMENT

I am pleased to report that the Group continued the EBITDA improvement in the Financial Year ended 2 February 2014 that we had hoped to achieve when I wrote the Chairman's Statement for the 28 weeks ended 18 August 2013. EBITDA improved 16.6% in the Financial Year in comparison to an improvement of 6.4% at the Interim.

Highlights

- Turnover increased 1.8% to £15,509,911 (2013: £15,233,026)
- EBITDA increased 16.6% to £1,980,380 (2013: £1,698,060)
- Operating Profit up 65.7% to £929,627 (2013: £560,979)
- Net debt decreased £656,567
- Profit before tax £341,863 (2013: Loss of £97,411)
- Earnings per share basic and diluted 2.78p (2013: 0.03p)

Legislative Reporting requirements, effective from 30 September 2013, require us to place much of the information, formerly within the Chairman's Statement, in a new format, namely the Strategic Report, which also encompasses Principal Risks and Uncertainties previously in the Director's Report. Rather than repeat comments on recent developments and the future of the business, I refer you to the Strategic report below.

The Board would like to take this opportunity of thanking the Management and Staff of Peel Hotels for their contribution to the business of Peel Hotels and for the safety and wellbeing of their Guests.

In spite of the improvements in the Group's Trading position in the Financial Year ended 2 February 2014 the Board regrettably are still unable to recommend a Dividend.

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 reservations 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

On 11 April 2014 the fixed interest swap fell away and in simple terms our cost of finance on borrowings of £9,226,503 reverted to six month Libor plus 3% totalling 3.62% at the current rate. This will have a significantly positive impact on the profitability of the Group in the current financial Year.

We hope to sustain improvements in EBITDA growth on the back of a slowly recovering market place and this, together with lower finance costs, should transform the profitability of the Group giving us options in terms of reappearing on the Dividend list, increased capital expenditure and further debt repayments.

Robert Peel
Chairman
14 May 2014

DIRECTORS AND ADVISERS

Directors

Robert Edmund Guy Peel	Executive Chairman
Nicholas David Lawton Parrish	Financial Director
Clement John Govett	Non-executive Director
Keith Peter Benham	Non-executive Director
Norbert Paul Gottfried Petersen	Non-executive Director

Secretary

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

Registered Office

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

Company registration number 3473990

Auditor

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

Bankers

Royal Bank of Scotland Plc
280 Bishopsgate, London EC2M 4RB

Registrars

Computershare Services Plc
PO Box No 82, The Pavilions, Bridgewater Road, Bristol BS99 7NH

Solicitors

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

Stockbroker

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

STRATEGIC REPORT

The Directors present the Strategic Report of the Group for the year ended 2 February 2014.

Review of the business

RESULTS

The Group achieved a modest improvement in the Financial Year ended 2 February 2014 with hotel revenues increasing by 1.8% to £15,509,911 (2013: £15,233,026). Hotel gross profit before depreciation and Group administration increased 5.3% to £2,538,464 (2013: £2,410,311). EBITDA increased 16.6% to £1,980,380 (2013: £1,698,060).

FINANCE

As at 2 February 2014 net debt stood at £11,709,734 (2013: £12,366,301) representing loans totalling £11,420,253 (2013: £12,090,770) and an overdraft of £484,496 (2013: £392,085) less £195,015 (2013: £116,554) cash at bank. Gearing on Shareholders' funds was 52.2% with interest covered 0.99 times. Net debt decreased by £656,567 compared with the previous year.

It is worth pointing out that, in spite of the onerous fixed interest swap at 5.83% plus margin of 3% on the majority of our debt costing an additional £352,000 in interest this year alone, and in a challenging trading environment, the Group has decreased its net debt by £3,084,836 over the past four financial years.

During the year the Group agreed to an extension to its existing bank loan facility with the Royal Bank of Scotland (which was due to expire on 1 June 2014). This agreement extended the loan facility (at the same level of borrowings and repayment terms as previously) until 31 August 2017. This extension provides the Group with greater certainty with regard to its financial structure going forward over the next three years.

During the year the £850,000 of unsecured loan notes that bear interest at 7% per annum to Robert Peel and Charles Peel, which were originally due for repayment in 2013, had the repayment date extended to December 2017.

Following the expiry of the fixed interest swap on 11 April 2014 Shareholders should note that there will be a substantial decrease in financial costs in 2014/15 and therefore a positive benefit to the profitability of the Group.

CAPITAL EXPENDITURE

£519,328 was spent in the year mainly on the continuing refurbishment of bedrooms at the Bull Hotel, Peterborough, Midland Hotel, Bradford, the Cosmopolitan Hotel, Leeds and the reception hall at the Caledonian Hotel, Newcastle. We have also resurfaced the car park at the Crown and Mitre Hotel, Carlisle. The Automobile Association product and service percentages for each of our hotels continues to improve which is very encouraging.

In addition to the capital expenditure a further £576,192 (2013: £557,048) was spent on repairs and renewals which ensures that we continue to improve the quality of our product.

PRINCIPAL RISKS AND UNCERTAINTIES

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

STRATEGIC REPORT

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 and also by looking to expand its operations into hotel management contracts.

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.

Following the expiry of the swap arrangement on 11 April 2014, 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 further financial instruments to manage its interest rate risk. 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
14 May 2014

DIRECTORS' REPORT

The Directors present their report and the financial statements of the Group for the year ended 2 February 2014.

Results and dividends

The profit for the year after tax amounted to £389,473 (2013: £4,152). The Directors recommend that no dividend be paid (2013: £nil).

Executive Directors

Robert Peel, age 67, was appointed on 25 November 1997.

Nicholas Parrish, age 55, was appointed on 19 October 2012.

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

Non-executive Directors

John Govett, age 70, appointed on 23 February 1998, was formerly chairman of Schroder Investment Management.

Keith Benham, age 71, appointed on 23 February 1998, was formerly a senior partner at Linklaters.

Norbert Petersen, age 67, was appointed on 11 September 1998.

All Directors served throughout the year.

Directors' interests

	2 February 2014		3 February 2013	
	Shares Number	Options Number	Shares Number	Options Number
Robert Peel	5,496,900	–	5,496,900	–
Norbert Petersen	41,830	–	41,830	–
John Govett	50,000	–	350,000	–
Keith Benham	168,801	–	168,801	–
Nicholas Parrish	–	8,000	–	8,000

Substantial shareholdings

Save for the interests of Robert Peel, which are set out above, the Directors are aware of the following who were interested, directly or indirectly, in 3 percent or more of the Company's shares as at 2 February 2014.

	Number of Shares	Percentage of share capital
Charles Peel	3,291,972	23.5%
J.P. Morgan Fleming Asset Management	1,239,838	8.9%
David Urquhart	605,000	4.3%

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 12 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 auditors 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

During the year the Group was financed via a long-term loan facility (which expires on 31 August 2017), an overdraft from its bankers, and an unsecured loan from its majority shareholder together with unsecured loan notes issued to its two major shareholders (which are due for repayment in 2017). The Group traded within these available facilities during the year.

The Directors have prepared forecasts for at least the next 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 challenging economic environment. The Directors have considered the adequacy of the banking and other borrowing facilities in light of these forecasts (including compliance with necessary covenants), and are satisfied that they are more than adequate for the Group's working capital requirements. For this reason, the Board has concluded that there are no material uncertainties and that the going concern basis should be adopted in preparing these financial statements.

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

Annual General Meeting

The notice convening the Annual General Meeting to be held at The Midland Hotel on 1 July 2014 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 from June 2014 to the conclusion of the Group's 2015 Annual General Meeting.

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

The usual ordinary business will be considered, including receipt of the Group's Report and Financial Statements and re-appointing Grant Thornton UK LLP as auditor. A resolution will be proposed to re-elect Robert Peel and Norbert Petersen who retire by rotation in accordance with the Company's Articles of Association and who, being eligible, offer themselves for re-election.

DIRECTORS' REPORT

Directors' recommendation

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

Auditor

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

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

By order of the board
Thrings LLP
Secretary
14 May 2014

CORPORATE GOVERNANCE

Peel Hotels Plc is listed on AIM and is not subject to the requirements of the UK Corporate Governance Code June 2012 on corporate governance, nor is it required to disclose its specific policies in relation to corporate governance. However, the Directors are committed to delivering high standards of corporate governance to the Company's Shareholders and other stakeholders including employees.

Directors

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

The Board is chaired by Robert Peel who also acts as the Group's Chief Executive. Robert Peel was appointed at the incorporation of the Company. Due to the size of its business, the Group has not segregated the position of Chairman and Chief Executive. The Board believes that the presence of strong Non-executives make this position appropriate for the business at this time. Nick Parrish, formerly the Group Accountant with the Company since 1998, was appointed as Financial Director on 19 October 2012. All other Board members were appointed during the first fully reported financial period to 21 February 1999. Norbert Petersen, who has been an Executive Director since 11 September 1998, retired from his full time role at the end of the previous financial year but has continued to be on the Board as a Non-executive Director. The Non-executive Directors have between them considerable and varied 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 7 occasions in the financial period to 2 February 2014). 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 not less than 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 consists of John Govett and Keith Benham. The Audit Committee meets at least twice a year. The Committee provides a forum for reporting by the Group's external auditors and consideration of internal audit reports. Meetings are also attended, by invitation, by Robert Peel and Nick Parrish.

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

Internal controls

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

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

CORPORATE GOVERNANCE

The following processes take place on an ongoing basis.

- Review of internal audit reports.
- Weekly and monthly 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 Chairman of the Audit Committee reports the outcome of audit meetings to the full Board of Directors.

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

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

Financial information

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

Quality and integrity of personnel

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

Operating unit financial controls

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

Computer system

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

Controls over central functions

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

The Board has conducted a review of the system of internal control for the year ended 2 February 2014 and up to the date of this report.

DIRECTORS' REMUNERATION REPORT

Composition of the remuneration committee

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

Remuneration policy for Executive Directors

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

Basic salary

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

Share options

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

Movements in share options are detailed in note 18.

Pension arrangements

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

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

Non-executive Directors' remuneration

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

Service contracts and re-election to the Board

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

Executive Directors' other appointments

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

DIRECTORS' REMUNERATION REPORT

Directors' remuneration

	Current contractual annual salary/fees £	Salary/fees £	Other benefits £	52 weeks 2 February 2014 £	52 weeks 3 February 2013 £
Executive					
R E G Peel	50,000	–	1,170	1,170	1,188
N D L Parrish	55,000	54,231	884	55,115	15,637
Non-executive					
C J Govett	20,000	20,000	–	20,000	20,000
K P Benham	20,000	20,000	–	20,000	20,000
N P G Petersen	–	–	329	329	71,415
Total	145,000	94,231	2,383	96,614	128,240

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 2 February 2014 £	52 weeks 3 February 2013 £
Executive		
R E G Peel	–	–
N D L Parrish	4,881	1,385
Total	4,881	1,385

Share options granted to Directors

	Date of grant	Number of options granted	Exercise price per share (pence)	Earliest exercise date	Expiry date
Executive					
N D L Parrish	31.05.05	3,000	102.0	31.05.08	30.05.15
N D L Parrish	23.05.07	5,000	163.5	23.05.10	22.05.17
Total		8,000			

The market price of the shares at 2 February 2014 was 87 pence and the range during the year was 91.5 pence to 37.5 pence.

By order of the board
Keith Benham
John Govett
Non-executive Directors

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

We have audited the financial statements of Peel Hotels plc for the year ended 2 February 2014 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, the consolidated and parent company balance sheets, the consolidated and parent company statements of cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 2 February 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

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

Paul Houghton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
14 May 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 2 February 2014

	Note	£	2014 £	£	2013 £
Revenue			15,509,911		15,233,026
Cost of sales			(12,971,447)		(12,822,715)
Gross profit			2,538,464		2,410,311
Administration expenses		(558,084)		(712,251)	
Depreciation	12	(1,050,753)		(1,137,081)	
Total administration expenses			(1,608,837)		(1,849,332)
Operating profit			929,627		560,979
Finance income	6		414		318
Finance expense	7		(932,822)		(961,444)
Fair value movement on derivative	20		344,644		302,736
Profit/(loss) before tax			341,863		(97,411)
Income tax	8		47,610		101,563
Profit and total comprehensive income for the period attributable to owners			389,473		4,152
Earnings per share					
Basic & diluted (pence)	9		2.78		0.03

**CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY**
for the years ended 2 February 2014 and 3 February 2013

Year ended 2 February 2014

	Share Capital £	Share premium account £	Profit and loss account £	Total £
Balance brought forward at 4 February 2013	1,401,213	9,743,495	10,908,886	22,053,594
Profit and total comprehensive income for the period	–	–	389,473	389,473
Balance at 2 February 2014	1,401,213	9,743,495	11,298,359	22,443,067

Year ended 3 February 2013

	Share Capital £	Share premium account £	Profit and loss account £	Total £
Balance brought forward at 6 February 2012	1,401,213	9,743,495	10,904,734	22,049,442
Profit and total comprehensive income for the period	–	–	4,152	4,152
Balance at 3 February 2013	1,401,213	9,743,495	10,908,886	22,053,594

COMPANY STATEMENT OF CHANGES IN EQUITY

for the years ended 2 February 2014 and 3 February 2013

Year ended 2 February 2014

	Share Capital £	Share premium account £	Profit and loss account £	Total £
Balance brought forward at 4 February 2013	1,401,213	9,743,495	11,132,432	22,277,140
(Loss) and total comprehensive income for the period	–	–	(463,619)	(463,619)
Balance at 2 February 2014	1,401,213	9,743,495	10,668,813	21,813,521

Year ended 3 February 2013

	Share Capital £	Share premium account £	Profit and loss account £	Total £
Balance brought forward at 6 February 2012	1,401,213	9,743,495	11,029,463	22,174,171
Profit and total comprehensive income for the period	–	–	102,969	102,969
Balance at 3 February 2013	1,401,213	9,743,495	11,132,432	22,277,140

CONSOLIDATED BALANCE SHEET

at 2 February 2014

	Note	2014 £	2013 £
Assets			
Non-current assets			
Property, plant and equipment	12	36,506,121	37,037,546
Deferred tax asset	17	31,813	115,852
Total non-current assets		36,537,934	37,153,398
Current assets			
Inventories	13	108,670	99,529
Trade and other receivables	14	1,114,703	1,136,554
Cash and cash equivalents		195,015	116,554
Total current assets		1,418,388	1,352,637
Total assets		37,956,322	38,506,035
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	19	1,401,213	1,401,213
Share premium		9,743,495	9,743,495
Retained earnings		11,298,359	10,908,886
Total equity		22,443,067	22,053,594
Liabilities			
Non-current			
Borrowings	16	10,844,199	9,324,716
Deferred tax liabilities	17	982,306	1,182,914
Derivative financial instruments	20	–	71,958
Non-current liabilities		11,826,505	10,579,588
Current			
Trade and other payables	15	2,383,690	2,231,275
Borrowings	16	1,060,550	3,158,139
Current tax liabilities		83,449	51,692
Derivative financial instruments	20	159,061	431,747
Current Liabilities		3,686,750	5,872,853
Total liabilities and equity		37,956,322	38,506,035

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

Approved by the Board 14 May 2014
 Robert Peel, Director
 Nicholas Parrish, Director
 Company number: 3473990

COMPANY BALANCE SHEET

at 2 February 2014

	Note	2014 £	2013 £
Assets			
Non-current assets			
Property, plant and equipment	12	33,561,391	33,981,385
Deferred tax asset	17	31,813	115,736
Amounts owed by group undertakings		2,610,027	3,582,275
Investments	11	3	3
Total non-current assets		36,203,234	37,679,399
Current assets			
Inventories	13	84,692	76,817
Trade and other receivables	14	785,248	847,317
Cash and cash equivalents		176,296	92,206
Total current assets		1,046,236	1,016,340
Total assets		37,249,470	38,695,739
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	19	1,401,213	1,401,213
Share premium		9,743,495	9,743,495
Retained earnings		10,668,813	11,132,432
Total equity		21,813,521	22,277,140
Liabilities			
Non-current			
Borrowings	16	10,844,199	9,324,716
Deferred tax liabilities	17	1,003,029	1,208,407
Derivative financial instruments	20	–	71,958
Non-current liabilities		11,847,228	10,605,081
Current			
Trade and other payables	15	2,306,139	2,171,940
Borrowings	16	1,060,550	3,158,139
Current tax liabilities		62,971	51,692
Derivative financial instruments	20	159,061	431,747
Current Liabilities		3,588,721	5,813,518
Total liabilities and equity		37,249,470	38,695,739

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

Approved by the Board 14 May 2014

Robert Peel, Director

Nicholas Parrish, Director

Company number: 3473990

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 2 February 2014

	2014 £	2013 £
Cash flows from operating activities		
Profit for the year	389,473	4,152
Adjustments for:		
Financial income	(414)	(318)
Financial expense	932,822	961,444
Fair value movement on derivative	(344,644)	(302,736)
Income tax	(47,610)	(101,563)
Depreciation	1,050,753	1,137,081
Cash flows before changes in working capital and provisions	1,980,380	1,698,060
UK corporation tax (paid)/received	(37,202)	43,941
Decrease in trade and other receivables	14,524	78,609
Increase in trade and other payables	165,423	95,145
(Increase)/decrease in inventories	(9,141)	2,777
Net cash from operating activities	2,113,984	1,918,532
Cash flows from investing activities		
Acquisition of property, plant and equipment	(519,328)	(439,308)
Net cash from investing activities	(519,328)	(439,308)
Cash flows from financing activities		
Interest paid	(1,042,552)	(1,001,966)
New loans	-	585,000
Loan repayments	(566,054)	(467,889)
Net cash from financing activities	(1,608,606)	(884,855)
Net (decrease)/increase in cash and cash equivalents	(13,950)	594,369
Cash and cash equivalents at the beginning of the period	(275,531)	(869,900)
Cash and cash equivalents at the end of the period	(289,481)	(275,531)
For the purposes of the cash flow statement, cash and cash equivalents comprise:		
Cash and bank balances	195,015	116,554
Bank overdrafts	(484,496)	(392,085)

COMPANY CASH FLOW STATEMENT

for the year ended 2 February 2014

	2014	2013
	£	£
Cash flows from operating activities		
(Loss)/profit for the year	(463,619)	102,969
Adjustments for:		
Financial income	(414)	(318)
Financial expense	932,822	961,444
Fair value movement on derivative	(344,644)	(302,736)
Income tax	(87,933)	(101,274)
Depreciation	838,003	925,952
Cash flows before changes in working capital and provisions	874,215	1,586,037
UK corporation tax (paid)/received	(22,243)	43,941
Decrease in trade and other receivables	1,026,990	78,261
Increase in trade and other payables	147,207	119,514
(Increase) in inventories	(7,875)	(156)
Net cash from operating activities	2,018,294	1,827,597
Cash flows from investing activities		
Acquisition of property, plant and equipment	(418,009)	(357,678)
Net cash from investing activities	(418,009)	(357,678)
Cash flows from financing activities		
Interest paid	(1,042,552)	(1,001,966)
New loans	–	585,000
Loan repayments	(566,054)	(467,889)
Net cash from financing activities	(1,608,606)	(884,855)
Net (decrease)/increase in cash and cash equivalents	(8,321)	585,064
Cash and cash equivalents at the beginning of the period	(299,879)	(884,943)
Cash and cash equivalents at the end of the period	(308,200)	(299,879)

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

Cash and bank balances	176,296	92,206
Bank overdrafts	(484,496)	(392,085)

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(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, except for derivatives carried at fair value.

The financial statements are presented in sterling.

Significant judgements and estimates

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

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

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

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

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

NOTES

Standards and interpretations in issue not yet effective

The following relevant standards and interpretations have been issued but are not effective for the year ended 2 February 2014:

- IFRS 10 Consolidated Financial Statements (effective 1 January 2013*)
- IFRS 11 Joint Arrangements (effective 1 January 2013*)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013*)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013*)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013*)
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- IFRS 10, 11 and 12 Transition Guidance (Amendments to IFRS 10, 11 and 12) (effective 1 January 2013*)

* Mandatory EU effective date of 1 January 2014 (and so not adopted in these financial statements).

In all instances, the Board will consider the impact that these standards may have on the Group's 1 February 2015 financial statements.

The effect of the adoption of these new standards is expected to be presentational only. The following principal accounting policies have been applied consistently to all periods presented in these financial statements except as noted below.

IAS1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments to IAS1 are effective for annual periods beginning on or after 1 July 2012 and require entities to group items presented in other comprehensive income (OCI) into those that, in accordance with other IFRS, will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss when specific conditions are met. There is no impact on the Group results as the Group has no items of other comprehensive income.

IFRS 13 'Fair Value Measurement' (IFRS 13)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has, however, included as comparative information, the IFRS 13 disclosures that were required previously by IFRS 7 'Financial Instruments: Disclosures'.

The Group has applied IFRS 13 for the first time in the current year, see Note 20.

NOTES

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

A business combination is recognised where separate entities or businesses have been brought together within the Group. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, 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, 2 February, as the Company.

The purchase method of accounting is used to account for business combinations made by the Group. The cost of a business combination is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Identifiable assets, liabilities and contingent liabilities acquired in the business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is credited to profit or loss in the period of acquisition.

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 occurring on or after 9 February 2009 are accounted for using the acquisition method under the revised IFRS 3 Business Combinations (IFRS 3R). 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

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previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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

Assets transferred between group companies are transferred at their net book value.

Property, plant and equipment

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

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

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

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

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

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.

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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.

Derivative financial instruments (being interest rate swap agreements) are accounted for at fair value through profit or loss.

Trade and other receivables

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

Intra-group receivables

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

Trade payables

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

Post retirement benefits

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

Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates

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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,

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are credited to share capital, and where appropriate share premium.

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.

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

All non-current assets are located in the UK.

3 Expenses and auditor’s remuneration

Included in profit/(loss) are the following:

	2014 £	2013 £
Depreciation	1,050,753	1,137,081
Repairs and renewals - hotels	576,192	557,048
Repairs and renewals - other	21,591	20,642
Lease payments- land and buildings	639,622	610,628
Lease payments- plant and equipment	185,331	175,252

Auditor’s remuneration:

	2014 £	2013 £
Auditor’s remuneration for audit services	29,900	29,900
Other services		
Auditor’s remuneration for tax compliance services	12,006	10,300
Auditor’s remuneration for other tax services	5,530	8,925
Audit - Group pension scheme	590	650

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	
	2014	2013
Directors	5	4
Other employees	448	446
	453	450

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£	£
Wages and salaries	5,271,136	5,250,659
Social security costs	315,525	322,754
Pension costs	50,898	60,337
	5,637,559	5,633,750

5 Remuneration of Directors

	2014	2013
	£	£
Directors emoluments	96,614	128,240
Group contributions to money purchase pension schemes	4,881	1,385
	101,495	129,625

The aggregate of emoluments of the highest paid Director was £55,115 (2013: £71,415) and company pension contributions of £4,881 (2013: £1,385) were made to a personal pension scheme on his behalf. The total employers national insurance paid in respect of Directors was £9,822 (2013: £14,088).

There were no (2013: nil) members of key management other than the Directors of the Group.

6 Finance income

Recognised in profit or loss

	2014	2013
	£	£
Interest receivable	414	318

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7 Finance expense

Recognised in profit or loss

	2014 £	2013 £
Interest on long term bank loan	676,250	726,354
Interest on other loans	159,425	146,660
Interest on other bank borrowings	17,790	8,081
Bank charges, fees and instrument costs	79,357	80,349
	932,822	961,444

8 Income tax expense

Recognised in profit/(loss)

	2014 £	2013 £
Current tax expense		
Current year	83,683	52,215
Adjustments for prior years	(15,013)	(4,638)
	68,670	47,577
Deferred tax expense		
Origination and reversal of temporary differences	(66,043)	(132,144)
Adjustments for prior years	9,648	(4,983)
Movement on deferred tax asset relating to derivative	84,039	85,758
Effect of rate change	(143,924)	(97,771)
	(116,280)	(149,140)
Total tax in profit/(loss)	(47,610)	(101,563)

Reconciliation of effective tax rate

	2014 £	2013 £
Profit/(loss) before tax for the period	341,863	(97,411)
Tax using the UK corporation tax rate of 23% (2013: 24%)	78,628	(23,379)
Non-deductible expenses	25,940	29,614
Rate difference	(2,889)	(406)
Change in tax rates	(143,924)	(97,771)
Over provided in prior years	(5,365)	(9,621)
Total tax credit	(47,610)	(101,563)

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9 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 2 February 2014 was based on the profit attributable to ordinary shareholders of £389,473 (2013: £4,152) and a weighted average number of ordinary shares outstanding of 14,012,123 (2013: 14,012,123). No shares were issued in 2014 or 2013.

Diluted earnings per share

There were no potentially dilutive options in issue in 2014 and 2013 and consequently there is no difference between basic and diluted earnings per share.

10 Dividends

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

11 Fixed asset investments

	Shares in Group undertakings £
Cost and net book value	3

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

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

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 £463,619 (2013: Profit £102,969).

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12 Property, plant and equipment Group

	Land and buildings £	Plant and Machinery £	Furniture, furnishings and equipment £	Total £
Cost				
Balance at 5 February 2012	33,593,159	5,480,905	4,598,572	43,672,636
Additions	52,286	98,048	288,974	439,308
Fully depreciated items	–	(908,050)	(197,592)	(1,105,642)
Balance at 3 February 2013	33,645,445	4,670,903	4,689,954	43,006,302
Additions	76,731	81,332	361,265	519,328
Fully depreciated items	–	(674,787)	(215,530)	(890,317)
Balance at 2 February 2014	33,722,176	4,077,448	4,835,689	42,635,313
Depreciation				
Balance at 5 February 2012	764,877	3,941,758	1,230,682	5,937,317
Provision for the year	106,968	549,791	480,322	1,137,081
Fully depreciated items	–	(908,050)	(197,592)	(1,105,642)
Balance at 3 February 2013	871,845	3,583,499	1,513,412	5,968,756
Provision for the year	107,300	557,924	385,529	1,050,753
Fully depreciated items	–	(674,787)	(215,530)	(890,317)
Balance at 2 February 2014	979,145	3,466,636	1,683,411	6,129,192
Net book value				
At 5 February 2012	32,828,282	1,539,147	3,367,890	37,735,319
At 3 February 2013	32,773,600	1,087,404	3,176,542	37,037,546
At 2 February 2014	32,743,031	610,812	3,152,278	36,506,121

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

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Company

	Land and buildings £	Plant and Machinery £	Furniture, furnishings and equipment £	Total £
Balance at 5 February 2012	30,871,945	5,151,987	3,485,926	39,509,858
Additions	41,710	80,724	235,244	357,678
Fully depreciated items	–	(908,050)	(177,788)	(1,085,838)
Balance at 3 February 2013	30,913,655	4,324,661	3,543,382	38,781,698
Additions	46,745	75,956	295,308	418,009
Fully depreciated items	–	(674,787)	(205,984)	(880,771)
Balance at 2 February 2014	30,960,400	3,725,830	3,632,706	38,318,936

Depreciation

Balance at 5 February 2012	448,133	3,823,451	688,615	4,960,199
Provision for the year	57,569	549,791	318,592	925,952
Fully depreciated items	–	(908,050)	(177,788)	(1,085,838)
Balance at 3 February 2013	505,702	3,465,192	829,419	4,800,313
Provision for the year	57,666	307,224	473,113	838,003
Fully depreciated items	–	(674,787)	(205,984)	(880,771)
Balance at 2 February 2014	563,368	3,097,629	1,096,548	4,757,545

Net book value

At 5 February 2012	30,423,812	1,328,536	2,797,311	34,549,659
At 3 February 2013	30,407,953	859,469	2,713,963	33,981,385
At 2 February 2014	30,397,032	628,201	2,536,158	33,561,391

13 Inventories

Inventories comprise food and liquor.

The cost of inventories recognised as an expense and included in cost of sales is £2,069,007 (2013: £2,077,999).

NOTES

14 Trade and other receivables

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Trade receivables	364,761	404,449	212,763	288,247
Prepayments and accrued income	749,942	732,105	572,485	559,070
	1,114,703	1,136,554	785,248	847,317

15 Trade and other payables

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Trade payables	508,963	597,636	508,963	597,636
Social security and other taxes	519,844	562,056	519,844	562,056
Accruals and deferred income	1,354,883	1,071,583	1,277,332	1,012,248
	2,383,690	2,231,275	2,306,139	2,171,940

16 Borrowings

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Financial liabilities measured at amortised cost:				
Current				
Bank overdrafts	484,496	392,085	484,496	392,085
Bank loans	446,054	446,054	446,054	446,054
Other loans	130,000	2,320,000	130,000	2,320,000
Total current	1,060,550	3,158,139	1,060,550	3,158,139
Non-current				
Bank loans	8,774,199	9,324,716	8,774,199	9,324,716
Other loans	2,070,000	–	2,070,000	–
Total non-current	10,844,199	9,324,716	10,844,199	9,324,716
Total	11,904,749	12,482,855	11,904,749	12,482,855

NOTES

17 Deferred tax

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Deferred tax asset				
At start of year	115,852	201,610	115,736	201,610
Income statement charge:				
Origination and reversal of temporary differences	(84,039)	(85,758)	(83,923)	(85,874)
At end of year	31,813	115,852	31,813	115,736
Deferred tax liability				
At start of year	1,182,914	1,417,523	1,208,407	1,442,843
Income statement charge:				
Origination and reversal of temporary differences	(56,684)	(136,838)	(58,200)	(136,665)
Changes in rates	(143,924)	(97,771)	(147,178)	(97,771)
At end of year	982,306	1,182,914	1,003,029	1,208,407

18 Share options

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

Date granted	No. of shares	Exercise price	Exercise dates	
			From	To
14 April 2004	21,000	88.5p	14 April 2007	13 April 2014
31 May 2005	128,000	102.0p	31 May 2008	31 May 2015
23 May 2007	28,000	163.5p	23 May 2010	22 May 2017
	177,000			

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

	2014		2013	
	Weighted Average Exercise price (pence)	Number of options	Weighted Average Exercise price (pence)	Number of options
Outstanding at start of year	108.8	192,000	103.1	294,000
Lapsed during the year	(93.0)	(15,000)	(92.4)	(102,000)
Outstanding at end of year	110.0	177,000	108.8	192,000
Exercisable at end of year	110.0	177,000	108.8	192,000

NOTES

19 Share capital

	2014 £	2013 £
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.

20 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.

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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 52.2% (2013: 56.1%) with interest covered 0.99 (2013: 0.6) times.

There were no changes in the Group's approach to capital management during the year and the fact that no dividends were paid in the year was based on the Group results for the year and the availability of available reserves with which to make such transactions.

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 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Cash and cash equivalents	195,015	116,554	176,296	92,206
Trade and other receivables excluding prepayments	364,761	404,449	212,763	288,247
Amounts owed by group undertakings	–	–	2,610,027	3,582,275
	559,776	521,003	2,999,086	3,962,728

Financial liabilities measured at amortised cost

Current

Trade and other payables	508,963	597,636	508,963	597,636
Borrowings	1,060,550	3,158,139	1,060,550	3,158,139

Non-current

Borrowings	10,844,199	9,324,716	10,844,199	9,324,716
	12,413,712	13,080,491	12,413,712	13,080,491

Financial liabilities at fair value through profit and loss

Derivative financial instruments	159,061	503,705	159,061	503,705
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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	
	2014 £	2013 £	2014 £	2013 £
Cash and cash equivalents	195,015	116,554	176,296	92,206
Trade and other receivables excluding prepayments	364,761	404,449	212,763	288,247
Amounts owed by group undertakings	–	–	2,610,027	3,582,275
	559,776	521,003	2,999,086	3,962,728

All of the Group's trade and other receivables have been reviewed for indicators of impairment. An impairment provision of £nil (2013: £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 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
	Not past due	268,643	222,088	142,135
Past due 0-30 days	64,615	129,659	45,083	65,251
Past due 31-60 days	31,503	36,701	25,545	25,361
Past due 60 days+	–	16,001	–	15,964
	364,761	404,449	212,763	288,247

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

2 February 2014

	Current On demand £	Current Within 6 months £	Current Within 6-12 months £	Non-current 1 to 5 years £
	Trade and other payables	–	508,963	–
Bank overdrafts	484,496	–	–	–
Bank loans	–	402,000	383,500	9,750,000
Other loans	–	140,000	137,500	2,423,000
Derivative liabilities	–	159,061	–	–

NOTES

3 February 2013

	Current On demand £	Current Within 6 months £	Current Within 6-12 months £	Non-current 1 to 5 years £
Trade and other payables	–	597,636	–	–
Bank overdrafts	392,085	–	–	–
Bank loans	–	405,880	405,880	9,507,569
Other loans	–	–	2,320,000	–
Derivative liabilities	–	179,079	179,079	145,547

Company

2 February 2014

	Current On demand £	Current Within 6 months £	Current Within 6-12 months £	Non-current 1 to 5 years £
Trade and other payables	–	508,963	–	–
Bank overdrafts	484,496	–	–	–
Bank loans	–	402,000	383,500	9,750,000
Other loans	–	140,000	137,500	2,423,000
Derivative liabilities	–	159,061	–	–

3 February 2013

	Current On demand £	Current Within 6 months £	Current Within 6-12 months £	Non-current 1 to 5 years £
Trade and other payables	–	597,636	–	–
Bank overdrafts	392,085	–	–	–
Bank loans	–	405,880	405,880	9,507,569
Other loans	–	–	2,320,000	–
Derivative liabilities	–	179,079	179,079	145,547

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 the interest rate swap agreement up to 11 April 2014 and thereafter will be based on a fixed margin over six month LIBOR.

The amount on which the derivative financial instrument is fixed decreases from £10,034,700 at 12 October 2009 by £492,270 every six months until maturity on 11 April 2014.

NOTES

Interest rate risk

During the year the Group managed the majority of its interest rate risk via the use of an interest rate swap agreement. Borrowings not covered by this agreement had an interest rate payable at 3% over six month LIBOR.

The Group entered into a GBP roller coaster callable interest rate swap agreement which commenced on 11 April 2003 and ended on 11 April 2014. Under terms of this agreement the Group fixed its interest payments on £3,526,970 of the loan until 12 October 2009, increasing on that date to £10,034,700. This amount decreased by £492,270 every six months until 11 April 2014.

Under the fixed interest swap the Group paid 5.83% plus margin of 3% on these amounts. Following the expiry of the swap arrangement on 11 April 2014, 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 further 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 £80,000 (2013: £31,000)

Currency risk

The Group has no material foreign currency risk.

Fair values of derivative financial instruments

The fair value of this financial instrument is classified within level 2 of the IFRS 13 fair value hierarchy (as prices are not quoted on an active market). Derivatives are classified as fair value through profit and loss under IAS 39.

The fair value of this financial instrument has been calculated using the net present value of the expected cash flows from the transactions and based on the assumptions that no unusual market conditions or forced termination will occur during its term.

The gain recognised in profit and loss for the year ended 2 February 2014 was £344,644 (2013: £302,736). This is disclosed separately on the face of the statement of comprehensive income.

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 its use of derivatives whose value will fluctuate depending on a number of market conditions. The exposure is now 6 month Libor and expired in April 2014.

NOTES

21 Operating leases

The minimum operating lease payments are as follows:

Group	2014	2013	2014	2013
	Land and buildings £	Land and buildings £	Plant and machinery £	Plant and machinery £
Within one year	632,379	643,604	185,331	175,252
Within one to five years	2,375,516	2,372,276	185,331	175,252
After five years	23,281,269	23,842,748	–	–
	26,289,164	26,858,628	370,662	350,504

Company	2014	2013	2014	2013
	Land and buildings £	Land and buildings £	Plant and machinery £	Plant and machinery £
Within one year	130,675	141,900	141,677	134,803
Within one to five years	368,700	365,460	141,677	134,803
After five years	3,594,825	3,654,600	–	–
	4,094,200	4,161,960	283,354	269,606

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

22 Capital commitments

Amounts contracted for, but not provided, in these financial statements amounted to £63,000 (2013: £82,000).

23 Related parties

During the year insurance premiums of £230,030 (2013: £156,136) were paid to T L Dallas & Co Ltd in which Robert Peel is a shareholder, and there is a £87,808 outstanding balance at the year end (2013: £149,184).

The Group pays rent on the London property used as its Head Office, which is owned by Robert Peel. The passing rent is £38,500 per annum.

The Director's loan of £1,350,000 due to R Peel (and included in other loans) is unsecured. The loan bears interest at 7.0%.

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

At 2 February 2014 a short term loan of £125,000 was due to Robert Peel.

Amounts owed by subsidiary companies to Peel Hotels plc are detailed on page 21. No interest is paid on these amounts. A provision of £861,000 (2013: nil) was made against these balances during the year.

Certain staff costs are paid by Peel Hotels Plc and re-charged to the Subsidiary Companies. These costs were £1,255,875 (2013: £1,223,140).

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	Norfolk Royale	★★★★	95	01202 551521	01202 299729
Bradford	Midland Hotel	★★★★	90	01274 735735	01274 720003
Carlisle	Crown & Mitre Hotel	★★★★	94	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	★★★★	91	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			732		

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