

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.

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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.

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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.