

The Hotel Corporation Plc
Half-yearly Financial Report and Unaudited Condensed Financial Statements
For The Six Months Ended 30 June 2013
Registered in the Isle of Man No: 111066C

The Hotel Corporation plc
Six Months Ended 30 June 2013

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The Hotel Corporation plc
Six Months Ended 30 June 2013

Directors and Advisers

Directors	Derek William Short FCIB MCSI FinstD David Peter Craine F.C.A J.P James Barclay Douglas CA LLB (resigned on 6 th April 2013)
Company Secretary & Registered Office	David Peter Craine Burleigh Manor Peel Road Douglas Isle of Man IM1 5EP
Solicitors to the Company	SJ Berwin 222 Gray's Inn Road London WC1X 8XF
Nominated Adviser	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU (To 4 September 2013) (From 4 September 2013) Sanlam Securities UK Limited 10 King William Street London EC4N 7TW
Stockbroker	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU (To 4 September 2013) (From 4 September 2013) Sanlam Securities UK Limited 10 King William Street London EC4N 7TW
Isle of Man Advocates to the Company	Appleby 33 Athol Street Douglas Isle of Man IM1 1LB
Auditor	Deloitte LLP The Old Courthouse Athol Street Douglas Isle of Man IM99 1XJ

The Hotel Corporation plc
Six Months Ended 30 June 2013

**Registrars and Crest Service
Provider**

Computershare
Queensway House
Hillgrove Street
St Helier
Jersey JE1 1ES

(From 14 June 2013)
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen B63 3DA

Isle of Man Administration

Peregrine Corporate Services Limited
Burleigh Manor, Peel Road,
Douglas
Isle of Man IM1 5EP

The Hotel Corporation plc
Six Months Ended 30 June 2013

Directors' Report

The Directors present their half yearly report on the affairs of The Hotel Corporation plc ("the Company"), together with the Unaudited Condensed Financial Statements and independent review report for the six months ended 30 June 2013.

Principal Activity

The principal activity of the Company is to invest in businesses within the hotels sector in the United Kingdom.

Change in Basis of Preparation

The Company's principal asset comprises its cash balance and continued interest in its investment in Puma Hotels plc ("PHP" or "Puma").

We draw attention to the fact that there has been a change in the basis of preparation for the half yearly report. As detailed in our Annual Report and Accounts for the year ended 31 December 2012 and in note 1 to these half yearly financial statements, the Company has adopted Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 27 in the preparation of the financial statements for the year ended 31 December 2012, which requires the Company not to consolidate its results with its subsidiary Puma, (together "the Group") but instead measure its investment in its subsidiary at fair value through profit or loss. As such, the half yearly report no longer includes consolidated results for the Group and includes the Company results only.

Results of the Company

Revenue for the period is stated at £nil (2012H1: £nil (restated)). Revenue in relation to shareholder bond interest and preference share dividends from Puma Hotels plc ("PHP" or "Puma") has not been recognised as revenue during the current period following the communication to the Company by PHP and the subsequent announcement by the Company in December 2011, which was confirmed in April 2012, to defer shareholder bond interest and preference share dividend payments until further notice. During the six month period to 30 June 2013 revenue has not been recognised as it is not considered probable that it will be received. The comparative information for the six months ended 30 June 2012 for revenue and administrative expenses (regarding provisions recognised in relation to revenue) has been restated, see note 2 for further details. This restatement has no impact on the operating loss or the loss after taxation and total comprehensive loss for the period, or loss per share for the six months ended 30 June 2012. After deducting administrative expenses, operating losses amount to £0.1m (2012H1: £0.1m loss). Including bank interest receivable resulted in a loss before tax of £0.1m. No tax is payable for the year due to the zero income taxation provisions in the Isle of Man. Basic loss per share was 0.18p (2012H1: total loss per share of 0.17p).

The Company's net asset value per share ("NAV"), as at 30 June 2013 is 1.41p (H12012: 1.84p), with the Company continuing to value its investment in PHP at £nil as disclosed in note 7. We have no further information available to us other than the information disclosed in note 7 to revise this carrying value of £nil.

Dividend

The Directors do not recommend an interim dividend (2012H1: £nil).

The Hotel Corporation plc
Six Months Ended 30 June 2013

Directors' Report (continued)

Corporate Governance Statement

The Board of Directors are aware of the principles of corporate governance contained in the Combined Code on Corporate Governance.

Although the Company's shares have been admitted on to the Alternative Investment Market and the Company is not required to comply with the Combined Code, the Board monitors the Company's established procedures and continues, as far as possible, to comply with the Code to the extent that it is appropriate for the size and stage of development of the Company.

The Board is aware that it now comprises of two non-executive Directors. They are collectively responsible for all matters of good governance, and audit and remuneration committees will only be established by the Board if the Company's activities expand to the extent where the collective responsibility of the Board is more appropriately served by the establishment of such committees.

It is the Board's intention, whilst its investment in Puma remains as it is, to contain costs and maximise income. In keeping with that policy it is not the Board's intention to add to costs by inviting any additional directors at this time.

The Board considers that it has the necessary expertise and experience to manage the Company in its present form, but will keep the situation under review.

Events after the Balance Sheet Date

On 1 and 16 August 2013 the Company was informed of various acquisitions of ordinary shares in the Company by Shore Capital Group Investments Limited which culminated in a total beneficial interest in the Company of 10,953,744 ordinary shares representing 21.99% of the issued share capital of the Company. Both transactions were subsequently announced to the market.

As a consequence, and in order to comply with AIM Rules, the Company has appointed Sanlam Securities UK Limited as NOMAD and Broker with effect from 4 September 2013.

Prospects

The continued monitoring of the Company's investment in Puma, together with the containment of our operating costs, remains the focus of our attention. The announcement by Puma of the extension of its current bank debt facility until the end of May 2014 allows Puma the space to continue to address the trading performance of the hotels and also to investigate opportunities to improve its financial position. We continue to hold our investment in the hope of strengthening value for our shareholders.

Registered office:
Burleigh Manor
Peel Road
Douglas
Isle of Man
IM1 5EP

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By order of the Board
D. P. Craine
Company Secretary
3 September 2013

The Hotel Corporation plc
Six Months Ended 30 June 2013

Independent Review Report to
The Hotel Corporation plc

We have been engaged by The Hotel Corporation plc (“the Company”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprise the condensed company statement of comprehensive income, condensed statement of financial position, condensed statement of changes in equity, condensed statement of cash flows and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as issued by the International Accounting Standards Board (“IASB”). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as issued by the IASB.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as issued by the IASB and the AIM Rules of the London Stock Exchange.

The Hotel Corporation plc
Six Months Ended 30 June 2013

INDEPENDENT REVIEW REPORT TO THE HOTEL CORPORATION PLC
(continued)

Emphasis of Matter – Carrying value of investments in financial statements

In arriving at our review conclusion, which is not modified, we have considered the adequacy of the disclosures made in note 7 to the financial statements concerning the fair value estimate in respect of the Company's investment in Puma Hotels plc ("PHP").

As explained in note 7, the Directors have estimated the total fair value of the investment to be £nil as of 30 June 2013 in accordance with the valuation methodology detailed in note 7. However, the Directors are of the opinion that significant uncertainty exists in relation to this estimate in the current period, which may be greater than £nil, due to the uncertainty over the going concern considerations of PHP as detailed in note 1, the future impact of which are currently unknown. The estimated value may therefore differ materially from the value that would have been realised had a disposal of the investment been made between a willing buyer and seller. It is not possible to quantify such uncertainties.

Deloitte LLP
Chartered Accountants
Douglas, Isle of Man
3 September 2013

The Hotel Corporation plc
Six Months Ended 30 June 2013

Condensed Company Statement of Comprehensive Income
For the six months ended 30th June 2013

		Six Months ended		Year ended
		30 June 2013 (Unaudited)	30 June 2012 (Unaudited) Restated*	31 December 2012 (Audited)
	Notes	£'000	£'000	£'000
Continuing Operations				
Revenue	2	-	-	-
Administrative expenses		(95)	(92)	(228)
Operating Loss		(95)	(92)	(228)
Bank interest receivable		7	6	15
Loss before tax		(88)	(86)	(213)
Taxation	4	-	-	-
Loss after taxation and total comprehensive loss for the period/year		(88)	(86)	(213)
Loss per Share				
Basic and diluted	6	(0.18)	(0.17p)	(0.43p)

The accompanying notes on pages 13 to 20 are an integral part of these financial statements.

* The comparatives for the six months ended 30 June 2012 have been restated, see note 2.

The Hotel Corporation plc
Six Months Ended 30 June 2013

Condensed Company Statement of Financial Position
As At 30 June 2013

	Notes	30 June 2013 (Unaudited) £'000	30 June 2012 (Unaudited) £'000	31 December 2012 (Audited) £'000
Non-Current Assets				
Investments	7	-	-	-
Current Assets				
Trade and other receivables		-	7	12
Cash and Cash Equivalents		727	951	807
		<hr/>	<hr/>	<hr/>
		727	958	819
Total assets		<hr/>	<hr/>	<hr/>
		727	958	819
Liabilities				
Current Liabilities				
Trade and other payables		24	40	28
		<hr/>	<hr/>	<hr/>
Net Assets		703	918	791
Capital and Reserves				
Share Capital	8	2,491	2,491	2,491
Share Premium Account		11,015	11,015	11,015
Retained Losses		(12,803)	(12,588)	(12,715)
Equity attributable to owners of the Company		<hr/>	<hr/>	<hr/>
		703	918	791

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Derek Short
 Director

.....
David Craine
 Director

3 September 2013

The accompanying notes on pages 13 to 20 are an integral part of these financial statements.

The Hotel Corporation plc
Six Months Ended 30 June 2013

Condensed Company Statement of Changes in Equity
For the six months ended 30th June 2013

Notes	Share Capital £'000	Share Premium Account £'000	Retained losses £'000	Total £'000
Balance at 1 January 2012	2,491	11,015	(12,502)	1,004
Loss for the period	-	-	(86)	(86)
	<u>2,491</u>	<u>11,015</u>	<u>(12,588)</u>	<u>918</u>
Balance at 30 June 2012 Unaudited				

Notes	Share Capital £'000	Share Premium Account £'000	Retained losses £'000	Total £'000
Balance at 1 January 2012	2,491	11,015	(12,502)	1,004
Loss for the period	-	-	(213)	(213)
	<u>2,491</u>	<u>11,015</u>	<u>(12,715)</u>	<u>791</u>
Balance at 31 December 2012				

Notes	Share Capital £'000	Share Premium Account £'000	Retained losses £'000	Total £'000
Balance at 1 January 2013	2,491	11,015	(12,715)	791
Loss for the period	-	-	(88)	(88)
	<u>2,491</u>	<u>11,015</u>	<u>(12,803)</u>	<u>703</u>
Balance at 30 June 2013 Unaudited				

The accompanying notes on pages 13 to 20 are an integral part of these financial statements.

The Hotel Corporation plc
Six Months Ended 30 June 2013

Condensed Company Statement of Cash Flows
For the six months ended 30th June 2013

		Six Months Ended		Year Ended
		30 June	30 June	31 December
		2013	2012	2012
		(Unaudited)	(Unaudited)	(Audited)
Notes		£'000	£'000	£'000
Net cash outflow from Operating Activities	9	(87)	(86)	(239)
Investing activities				
Interest received		7	6	15
Net cash generated in Investing activities		7	6	15
Financing activities				
Dividends paid	5	-	-	-
Net cash outflow from financing activities		-	-	-
Net decrease in cash and cash equivalents		(80)	(80)	(224)
Cash and cash equivalents at beginning of period/year		807	1,031	1,031
Cash and cash equivalents at end of period/year		727	951	807

The accompanying notes on pages 13 to 20 are an integral part of these financial statements.

The Hotel Corporation plc
Six Months Ended 30 June 2013

Notes to the Condensed Company Financial Statements

1. Significant Accounting policies

Basis of preparation

The annual financial statements of The Hotel Corporation plc are prepared in accordance with International Financial Reporting Standards (IFRS). The condensed set of financial statements included in this half yearly financial report have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, as issued by the International Accounting Standards Board.

On 31 October 2012, the IASB issued ‘Investment entities: Amendments to IFRS 10, IFRS 12 and IAS 27’. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2014, but earlier application is permitted. Accordingly, the Company adopted Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27) and applied the amended standard in the financial statements for the year ended 31 December 2012.

The Company meets the definition of an Investment Entity as defined by IFRS 10 and is required to account for the investment in PHP at fair value through profit or loss. These separate condensed financial statements are the only financial statements presented by the Company.

In accordance with IFRS 10 as amended by Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27), the Company shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, the Company will measure its investment in its subsidiaries at fair value through profit or loss in accordance with IAS 39.

In accordance with the adoption of Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27), the Company is required to apply the requirements retrospectively. The retrospective application results in the Company preparing separate financial statements as its only financial statements covering both the current and prior periods.

The Company holds 49.9% of the ordinary shares of PHP as well as convertible preference shares. If all the convertible preference shares held by the Company are converted into ordinary shares in the future the Company will own 53.28% of PHP, on a fully converted basis. Under previously adopted IFRS, this had required consolidation of the PHP results.

The Company has early adopted IFRS 10 and Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27) as disclosed in the financial statements for the year ended 31 December 2012 and as such, has not consolidated its subsidiary, PHP. No figures in the financial statements of the Company have been restated as a result of this change in basis of preparation.

The assessment that the Company is an Investment Entity has had no effect on the total fair value, as of the date of change of status, of the investment in PHP. The fair value remains £nil as at 30 June 2013. There has been no gain or loss in profit or loss attributable to the Company incurred as a result of the assessment that the Company is an Investment Entity.

There have been no changes in accounting policies from the adoption of new and revised standards in the period to 30 June 2013. There have been no changes in critical accounting judgements and key sources of estimation uncertainties from those disclosed in the audited financial statements for the year ended 31 December 2012.

The Hotel Corporation plc
Six Months Ended 30 June 2013

Notes to the Condensed Company Financial Statements (continued)

1. Significant accounting policies (continued)

Going concern

The Company has adequate financial resources. In considering the ability of the Company to continue as a Going Concern the directors have considered the Company cashflow forecasts. These cashflow forecasts indicate that the Company has sufficient resources to meet its ongoing operating expenses into the foreseeable future. It also has resources to invest in other opportunities if they were to arise and if investment was considered appropriate by the Directors and therefore the Directors are of the view that the Company still has an on-going trade as an investment company even though there is uncertainty associated with the going concern of its subsidiary company, Puma Hotels Plc (“PHP”) as disclosed in further detail in note 7. PHP has no recourse to the Company, which is solvent and able to continue trading even in the absence of any income generated from its investment in PHP, and as a consequence, the Directors believe that the Company is well placed to manage its business risks satisfactorily and have concluded that it is appropriate to prepare these financial statements on a going concern basis.

Revenue recognition

Revenue represents interest on bonds, preference share dividends and accrued interest on a bank deposit.

Dividend and interest income recognition

Dividend income from investments is recognised when the shareholders’ rights to receive payment have been established provided that it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably.

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably.

2. Revenue

An analysis of the Company’s revenue is as follows:

	(Unaudited)		(Audited)
	Six Months Ended		Year Ended
	June 2013	June 2012	2012
		Restated	
	£’000	£’000	£’000
Continuing operations			
Interest on bonds	-	-	-
Preference share dividend	-	-	-
	<hr/>	<hr/>	<hr/>
	-	-	-
	<hr/>	<hr/>	<hr/>

The Hotel Corporation plc
Six Months Ended 30 June 2013

Notes to the Condensed Company Financial Statements (continued)

2. Revenue (continued)

Following communications received from PHP, the Company announced on the 16 December 2011 and confirmed on the 2 April 2012 that the payments due from PHP on the Bonds and Cumulative Preference Shares will be deferred until further notice.

Following these communications and after review of the PHP financial statements for the year ended 31 December 2011 and the half yearly financial report and unaudited condensed financial statements for the six months ended 30 June 2012, the directors have assessed that receipt of this revenue is not probable. Accordingly, the Company has not recognised revenue due of £993,000 (31 December 2012: £1,986,000, 30 June 2012: £993,000 (restated)) in respect of interest on bonds and £412,000 in respect of dividends on preference shares (31 December 2012: £824,000, 30 June 2012: £412,000 (restated)).

At 30 June 2012, receipt of revenue had been considered probable. However in the preparation of the half yearly financial statements for the period ended 30 June 2012, the debtor in relation to income for the period from 1 January 2012 to 30 June 2012 was considered uncertain and a provision of £1,405,000 was made within administrative expenses. Later in 2012, the application of the Company's revenue recognition policy was reassessed and income relating to the period 1 January 2012 to 30 June 2012 was subsequently not considered probable, therefore no such income was recognised within the audited financial statements for the year ended 31 December 2012. Accordingly, the comparative information within the Company Statement of Comprehensive Income for the six months ended 30 June 2012 for Revenue and Administrative expenses has been restated. This restatement has no impact on the operating loss or the loss after taxation and total comprehensive loss for the period, or loss per share for the six months ended 30 June 2012.

3. Business and geographical segments

All income is derived from the Isle of Man.

4. Company Tax on loss on ordinary activities

A 0% rate of corporate income tax is applicable to the Company's income and therefore no provision for liability to Manx income tax has been included in these financial statements.

5. Dividends

The Directors do not recommend the payment of an interim dividend in respect of the period to 30 June 2013 (31 December 2012: £nil, 30 June 2012: £nil).

The Hotel Corporation plc
Six Months Ended 30 June 2013

Notes to the Condensed Company Financial Statements (continued)

6. Loss per share

Continuing operations

Losses : Company

	(Unaudited)		(Audited)
	Six Months ended		Year ended
	30 June	30 June	31 December
	2013	2012	2012
	£'000	£'000	£'000
Losses for the purposes of basic earnings per share being net profit attributable to owners of the Company	(88)	(86)	(213)

Number of Shares

	(Unaudited)		(Audited)
	Six Months ended		Year ended
	30 June	30 June	31 December
	2013	2012	2012
	No.	No.	No.
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	49,819,050	49,819,050	49,819,050

Loss per Share – continuing operations: Company

Basic and Diluted	(0.18p)	(0.17p)	(0.43p)
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7. Investment

Ordinary Shares

The investment at 30 June 2013 includes an investment in ordinary shares of £nil (30 June 2012: £nil, 31 December 2012: £nil) in Puma Hotels plc (“Puma” or “PHP”). The Company holds 16,550,000 ordinary shares of £1 par value in PHP. These ordinary shares amount to 49.92% of the issued share capital of that company.

PHP is a UK Group and its principal activity is that of owning and operating a group of hotels.

The Company has no current commitments to provide financial or other support to PHP.

Convertible Preference Shares

The investment at 30 June 2013 also includes an investment in convertible preference shares of £nil (30 June 2012: £nil, 31 December 2012: £nil). The Company holds 11,770,000 preference shares of £1 each in PHP.

The convertible preference shares in PHP rank ahead of the ordinary share capital in a winding up of PHP and can be converted into ordinary shares in the capital of PHP at any time at the option of the holder of these preference shares upon 21 days notice.

The Hotel Corporation plc
Six Months Ended 30 June 2013

Notes to the Condensed Company Financial Statements (continued)

7. Investment (continued)

Convertible Preference Shares (continued)

These shares are convertible into 1 ordinary share and 19 preference shares for every 1 convertible preference share at the option of the holder. These preference shares do not carry the right to vote except on a resolution modifying the rights attaching to the preference shares.

Bonds

The investment at 30 June 2013 also includes an investment in unsecured deep discount bonds issued by Puma Hotels (Finance) plc, a subsidiary of PHP, of £nil (30 June 2012: £nil, 31 December 2012 £nil). The Company holds 16,550,000 unsecured deep discounted bonds.

The final redemption date for the bonds is dependent on the issuer issuing a redemption notice which cannot be issued without the approval of Irish Bank Resolution Corporation Limited (“IBRC”), PHP’s senior lender, or until such time that all liabilities to IBRC have been fully discharged. As the bonds have no fixed maturity date they are classified as fair value through profit and loss.

Investment – non current

Investment at fair value through profit and loss

Classified as:	(Unaudited)		(Audited)
	Six Months ended		Year ended
	30 June	30 June	31 December
	2013	2012	2012
	£’000	£’000	£’000
Investment at fair value through profit and loss	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

Financial instruments are measured subsequent to initial recognition at fair values, using a fair value hierarchy. The fair value hierarchy has the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The investments in PHP have been classified within Level 3 of the fair value measurement hierarchy.

The Hotel Corporation plc
Six Months Ended 30 June 2013

Notes to the Condensed Company Financial Statements (continued)

7. Investment (continued)

As detailed in note 1, the Company has prepared separate financial statements in accordance with the early adoption of IFRS 10. In accordance with Investment Entities (Amendments to IFRS 10, 12 and IAS 27) the Company has not consolidated its results with its subsidiary, PHP and instead has measured its investment in PHP at fair value through profit or loss in accordance with IAS 39.

In determining the fair value attributable to the ordinary shares and convertible preference shares in PHP, the Directors considered the negative NAV per share and the significant uncertainty in relation to the going concern of PHP, as disclosed in the latest available financial information (prepared under UK GAAP rather than IFRS as adopted by the Company) which is the audited financial statements for the year ended 31 December 2012. The table above measures the investment at fair value through profit or loss.

The only consideration for sensitivity analysis would be an upward valuation of the PHP NAV per share which, in the present situation, the Directors do not deem appropriate.

There have been no gains or losses recognised in the year, nor any purchases or disposals or transfers between levels in the fair value hierarchy.

Fair value of investment

The Directors have reviewed the investment at 30 June 2013 and note that PHP was in a net liability position of £166.1m as at 31 December 2012 (30 June 2012: net liability position £161.6m) with a net current liability position of £327.7m (30 June 2012: net current liability position £321m). Furthermore, the Company has been informed by PHP that the interest on the preference shares and the bonds will not be paid in the foreseeable future. The audited financial statements for the 12 months to 31 December 2012 are the latest financial information that has been made available to the Company.

Based on PHP's financial situation, significant uncertainty exists in relation to PHP's ability to continue as a going concern. However, the Company has been informed by PHP that they have the continuing support of their senior lenders in relation to a recovery plan to continue to trade and the plan is supported by a detailed cash flow and budget forecast. The Directors of the Company therefore believe that should PHP continue to receive support from their senior lender into the foreseeable future then there may be future value in the investment in PHP; therefore the Company continues to hold the investment to protect shareholder value. However, due to the significant uncertainty described above, the Directors believe that the fair value of the investment in PHP should be £nil as at 30 June 2013 (30 June 2012: £nil, 31 December 2012 £nil). The Directors therefore recognise that there is a significant level of uncertainty relating to this fair value estimate, which may be greater than £nil.

The Hotel Corporation plc
Six Months Ended 30 June 2013

Notes to the Condensed Company Financial Statements (continued)

8. Share Capital

The total number of Ordinary Shares of £0.05 in issue and fully paid at 30 June 2013 was 49,819,050. During the six month period there has been no further issue of shares.

9. Notes to the Statement of Cash Flows

Company	(Unaudited)		Audited
	Six Months ended		Year ended
	30 June	30 June	31 December
	2013	2012	2012
	£'000	£'000	(£'000)
Loss from Operations	(95)	(92)	(228)
Decrease/(increase) in Receivables	12	(2)	(7)
(Decrease)/Increase in Trade and other payables	(4)	8	(4)
	<hr/>	<hr/>	<hr/>
Net cash outflow from operating activities	<u>(87)</u>	<u>(86)</u>	<u>(239)</u>

10. Immediate and Ultimate Controlling Party

In the opinion of the Directors there is no immediate and ultimate controlling party.

11. Related Party Transactions

Key Management Compensation

The remuneration of the Directors of the Company, who are the key management personnel, is set out below:

	(Unaudited)		Audited
	Six Months ended		Year ended
	30 June	30 June	31 December
	2013	2012	2012
	£'000	£'000	£'000
Directors fees	<u>31</u>	<u>41</u>	<u>83</u>
Total	<u>31</u>	<u>41</u>	<u>83</u>

David Craine is a Director of Peregrine Corporate Services Limited, (PCS), the Company which provides accountancy, administration and secretarial services to The Hotel Corporation plc. Fees, including VAT, of £25,989 (30 June 2012: £27,447, 31 December 2012 £52,280) were paid to PCS during the period.

The Hotel Corporation plc
Six Months Ended 30 June 2013

Notes to the Condensed Company Financial Statements (continued)

11. Related Party Transactions (continued)

Derek Short's directors fees are paid to English and Continental Properties Limited.

David Craine's directors fees are paid to Burleigh Offshore Services Limited.

Shore Capital Group Investments Limited, part of the Shore Capital Group has purchased shares in the Company, see note 12 for details.

Transactions with the subsidiary, Puma, are disclosed in note 2.

12. Events after the Balance Sheet Date

On 1 and 16 August 2013 the Company was informed of various acquisitions of ordinary shares in the Company by Shore Capital Group Investments Limited which culminated in a total beneficial interest in the Company of 10,953,744 ordinary shares representing 21.99% of the issued share capital of the Company. Both transactions were subsequently announced to the market.

As a consequence, and in order to comply with AIM Rules, the Company has appointed Sanlam Securities UK Limited as NOMAD and Broker with effect from 4 September 2013.