

26 March 2015

The Hotel Corporation plc
("HCP" or the "Company")

Final Results for the year ended 31 December 2014
Notice of AGM

The Hotel Corporation plc announces its final results for the year to 31 December 2014 highlights of which are set out below.

The Company also announces that its Annual General Meeting ("AGM") will be held at [10.00 a.m.] on 14 May 2015 at its registered office, Burleigh Manor, Peel Road, Douglas, Isle of Man IM1 5EP.

The Company's final report and accounts and notice of AGM are available from the Company's website at www.thehotelcorporation.co.im and will be posted to shareholders by 3 April 2015.

For further information:

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Simon Clements / James Thomas

The financial information set out in the announcement does not constitute the Company's statutory financial statements for the year ended 31 December 2013, but is derived from those financial statements. The auditors have reported on those financial statements. Their report was unmodified, but did draw attention to matters by way of emphasis relating to material uncertainty in relation to the Company's ability to continue as a going concern, and did not contain statements under s15(4) or (6) of Companies Act 1982 of the Isle of Man.

Directors' Report

The Directors present their annual report on the affairs of The Hotel Corporation plc ("the Company"), together with the Financial Statements and Auditor's Report for the year ended 31 December 2014.

Results of the Company

Revenue for the year is stated at £nil (2013: £nil). During the year ended 31 December 2014, shareholder bond interest and preference share dividend payments have not been recognised as it is not considered probable that they will be received. See note 5 and note 11 for further details. After deducting administrative expenses, operating losses amounted to £0.1m (2013: £0.2m operating loss), resulting in a loss before tax of £0.1m (2013: £0.2m loss). No tax is payable for the year due to the zero income taxation provisions in the Isle of Man. Basic loss per share was 0.29p (2013: loss per share 0.33p).

The Company's net asset value per share ("NAV"), as at 31 December 2014 is 0.97p (2013: 1.26p), with the Company continuing to value its investment in UK Group of Hotels at £nil (2013: £nil) for the reasons detailed in note 11.

Dividend

The Directors do not recommend a dividend for 2014 (2013: £nil).

Annual General Meeting

The Annual General Meeting will be held on 14 May 2015.

Events after the Balance Sheet Date

The Administrators of UK Group of Hotels issued an interim statement on 29 January 2015 to confirm there is no likelihood of any return for shareholders in that company – see Note 16 for more details.

Going Concern

Note 3 gives more details of the Going Concern of the Company. The Board are in talks with several parties and have received expressions of interest over the period to date and await positive responses. To date no definitive offers have resulted from these meetings and discussions but it still remains the Board's intention to continue these enquiries. The Board expects a positive future outcome from these discussions and on that basis considers the Company to be a going concern. However, if the outcome of these current or future discussions are not successful the Board may need to consider an orderly wind down of the Company.

Given the Company has adequate financial resources and the continuation of enquiries for the Company, the Board continues to consider the Company to be a going concern.

Prospects

The Board continue to explore other business opportunities for the company in order to seek to enhance shareholder value.

In the event of a suitable opportunity being identified the company will seek shareholder approval to a transaction.

In the meantime the Board has sought to reduce the company's ongoing running costs in order to preserve the company's primary asset being its cash deposits.

D.W. Short

Director

26 March 2015

D. P. Craine

Director and Company Secretary

Company Statement of Comprehensive Income
For the year ended 31 December 2014

		2014	2013
	Notes	£'000	£'000
Continuing Operations			
Revenue	5	-	-
Administrative expenses		<u>(144)</u>	<u>(173)</u>
Operating loss		(144)	(173)
Bank interest receivable		<u>2</u>	<u>8</u>
Loss before taxation		(142)	(165)
Taxation	8	<u>-</u>	<u>-</u>
Loss for the year and total comprehensive loss for the year	7	<u>(142)</u>	<u>(165)</u>
Loss per share			
Basic and diluted	10	(0.29p)	(0.33p)

Company Statement of Financial Position

As at 31 December 2014

	Notes	2014		2013	
Assets		£'000	£'000	£'000	£'000
Non-Current Assets					
Investment	11		-		
Current Assets					
Trade and other receivables	12	8		9	
Cash and cash equivalents		<u>501</u>		<u>642</u>	
			<u>509</u>		<u>651</u>
Total Assets			<u>509</u>		<u>651</u>
Liabilities					
Current Liabilities					
Trade and other payables	13	<u>25</u>		<u>25</u>	
Total Liabilities			<u>(25)</u>		<u>(25)</u>
Net Assets			<u>484</u>		<u>626</u>
Equity					
Share capital	14	2,491		2,491	
Share premium account	14	11,015		11,015	
Retained losses		<u>(13,022)</u>		<u>(12,880)</u>	
Equity attributable to owners of the Company			<u>484</u>		<u>626</u>
Shareholders' Equity			<u>484</u>		<u>626</u>
Net Asset Value per share (Based on number of shares in issue at year end)			0.97p		1.26p

The financial statements were approved by the Board of Directors and authorised for issue on 26th March 2015.

They were signed on its behalf by;

.....
Derek Short

.....
David Craine

Company Statement of Changes in Equity
For the year ended 31 December 2014

	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 year		-	-	(165)	(165)
Dividends	9	-	-	-	-
Balance at 31 December 2013		2,491	11,015	(12,880)	626
Loss for the year		-	-	(142)	(142)
Dividends	9	-	-	-	-
Balance at 31 December 2014		2,491	11,015	(13,022)	484

Company Statement of Cash Flows
For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Net cash used in operating activities	15	<u>(143)</u>	<u>(173)</u>
Cash flows from investing activities			
Interest received		<u>2</u>	<u>8</u>
Net cash generated by investing activities		<u>2</u>	<u>8</u>
Cash flows from financing activities			
Dividends paid		<u>-</u>	<u>-</u>
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents		(141)	(165)
Cash and cash equivalents at beginning of year		<u>642</u>	<u>807</u>
Cash and cash equivalents at end of year		<u>501</u>	<u>642</u>

Notes to the Company Financial Statements

1. General Information

The Hotel Corporation plc is incorporated in the Isle of Man under the Companies Acts 1931 to 2004. The address of the registered office is given on page 6. The nature of its principal activities is set out in the Directors' Report on pages 4 to 6. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates and is rounded to the nearest thousand pounds.

2. Adoption of new and revised Standards

In the current year, the following new and revised Standards and Interpretations have been adopted. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

- i. IAS 39 (Amendments) Novation of Derivative and Continuation of Hedge Accounting.
- ii. IAS 36 (Amendments) Recoverable Amount Disclosures for Non-Financial Assets
- iii. IFRIC 21 Levies

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issues but not yet effective (and in some cases had not yet been adopted by the EU):

- i. Amendments to IFRS 10, IFRS 12 and IAS 28 – Investments Entities: Applying the Consolidation Exception
- ii. Amendments to IAS 1 – Disclosure Initiative
- iii. Annual improvements to IFRSs: 2012-2014 Cycle (Sept 2014)
- iv. Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- v. Amendments to IAS 27 – Equity Method in Separate Financial Statements
- vi. IFRS 9 – Financial Instruments
- vii. Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants
- viii. IFRS 15 – Revenue from Contracts with Customers
- ix. Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- x. Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations
- xi. IFRS 14 – Regulatory Deferral Accounts
- xii. Annual Improvements to IFRSs: 2011-13 Cycle (Dec 2013)
- xiii. Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

The directors do not expect that the adoption of these standards listed above will have a material impact on the financial statements of the Group in future periods, except for IFRS 9 – Financial instruments, which will impact both the measurement and disclosure of Financial Instruments, and IFRS 15 – Revenue from Contracts with Customers, which may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards, until a detailed review has been completed.

3. Significant accounting policies

Basis of accounting

The Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and ISAB. The financial statements have been prepared on the historical cost basis, except for the revaluation of the investment in the Company's subsidiary UK Group of Hotels. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Solvency

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 cash flow forecasts. These cash flow forecasts indicate that the Company has sufficient resources to meet its ongoing expenses into the foreseeable future. UK Group of Hotels has no recourse to the Company which is solvent.

Going concern

In light of events as outlined in Note 11, no future income and indeed no investment return from the UK Group of Hotels plc is expected.

The Company has adequate financial resources. The Directors have considered the Company cash flow forecasts and these cash flow forecasts indicate that the Company has sufficient cash resources to meet its ongoing operating expenses into the foreseeable future. UK Group of Hotels has no recourse to the Company which is solvent.

The Board believe that there is value in the Company as a quoted cash shell company and are seeking its sale as a going concern or the introduction of new business opportunities in order to continue its trade. The Board has therefore been in consultation with its two major groups of shareholders representing more than 40% of the total issued share capital, who have both indicated that they would wish to seek other business opportunities.

On this basis, the Board has been in talks with several other parties and have received expressions of interest over the period to date and await positive responses. To date no definitive business has resulted from those meetings and discussions but it still remains the Board's intention to continue these enquiries. The Board expects a positive future outcome from these discussions and on that basis considers the Company to be a going concern. However, if the outcome of these current or future discussions are not successful the Board may need to consider an orderly wind down of the Company.

The above conditions therefore indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realise assets and/or discharge liabilities in the normal course of business. These financial statements do not include any adjustments that would result if the Company were unable to continue as a going concern.

After making such enquiries as necessary and considering the uncertainties described above, the Directors have a reasonable expectation that the Company has adequate resources to continue to adopt the going concern basis in preparing the annual report and financial statements.

Basis of Preparation

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. The Company early adopted Investment Entities (amendments to IFRS 10, IFRS 12 and IAS

27) for the year ended 31 December 2012 and has continued to apply the amended standard in the financial statements for the year ended 31 December 2014.

The Company meets the definition of an Investment Entity as defined by IFRS 10 and is required to account for the investment in UK Group of Hotels at fair value through profit and loss, see note 4 for further detail regarding the assessment of the Company as an investment entity. These separate 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, Financial Instruments: Recognition and Measurement.

The Company holds 49.9% of the ordinary shares of UK Group of Hotels 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 UK Group of Hotels, on a fully converted basis. Under previously adopted IFRS, this had required consolidation of the UK Group of Hotels results.

The assessment that the Company is an Investment Entity had no effect on the total fair value, as of the date of change of status, of the investment in UK Group of Hotels. The fair value remains £nil as at 31 December 2014 (2013: £nil). See Note 11 for further details.

Revenue recognition

Revenue represents interest on bonds and preference share dividends.

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.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets of the Company are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's document risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 4 and note 11.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Determining that the entity is an investment entity

In assessing whether it meets the definition of an investment entity, the Company must consider whether it has the typical characteristics of an investment entity. The Company has been deemed to meet the definition of an investment entity per IFRS 10 Consolidated Financial Statements as the following conditions exist:

- a The Company has obtained funds for the purpose of providing investors with investment management services;
- b The Company's business purpose which was communicated to the investors in its initial prospectus, is solely to create value for shareholders through investing in the four-star hotels sector in the UK with a particular focus on provincial hotels;
- c The Company's investors are not related parties of the entity; and
- d The performance of the investment in UK Group of Hotels is measured and evaluated on a fair value basis.

Although the Company does not meet all the typical characteristics of an investment entity as it has only one investment, this exception does not prevent the Company from meeting the definition of an investment entity. The absence of these typical characteristics does not necessarily disqualify an entity from being classified as an investment entity. Following consideration, the Directors believe the Company is an investment entity as the Company was established to invest in businesses in the UK hotels sector and the Company has pooled investors' funds to invest in a single investment which otherwise would be unobtainable to individual investors given that UK Group of Hotels is not publicly traded.

Revenue recognition

Note 5 describes uncertainty in relation to the revenue due from UK Group of Hotels with regards to interest on bonds and preference share dividends. In making their judgement regarding revenue recognition, the directors considered the detailed criteria for recognition of interest and dividend revenue set out in IAS 18 Revenue, in particular whether it is probable that economic benefits associated with the transactions will flow to the Company. Following consideration of the conditions described in note 5, the directors concluded that it is not probable that such revenue will flow to the Company. Accordingly the Company has not recognised revenue due with effect from 1 January 2012.

Key sources of estimation uncertainties

The following are the key sources of estimation uncertainty that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognised in the financial statements.

Fair value of investment

In line with the accounting policies set out in note 3, note 11 sets out in detail the method by which fair value is attributed to the Company's investment in UK Group of Hotels and the significant uncertainties associated with this in the current year which has led to a valuation of £nil (2013: £nil).

5. Revenue

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

Following these communications, a review of the UK Group of Hotels financial statements for the year ended 31 December 2012 and the administrators of the UK Group of Hotels communication to the company on 29 January 2015 that there will be no return to the Company, the directors have assessed that receipt of this revenue is not probable. Accordingly, the Company has not recognised revenue due of £1,986,000 in respect of interest on bonds and £824,000 in respect of dividends on preference shares again in the current year.

6. Business and geographical segments

The Company's turnover is derived from interest on the Bonds and Cumulative Preference Shares (which have been deferred, see note 5) held in its investment UK Group of Hotels. All income is derived from the UK.

7. Loss for the year

Loss for the year has been arrived at after charging:

	2014	2013
	£'000	£'000
Audit fees payable for the audit of the Company's annual accounts		
- Current year	13	20
- Prior year (over)/under provision	-	(1)
Impairment loss on trade receivables	-	-
	<u>13</u>	<u>19</u>

8. 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.

9. Dividends

The Directors do not recommend the payment of a dividend in respect of the year to 31 December 2014 (2013: £nil).

10. Loss per share

	2014 £'000	2013 £'000
Loss for the purposes of basic earnings per share being loss attributable to owners of the Company	<u>(142)</u>	<u>(165)</u>
Number of Shares	2014 No.	2013 No.
Weighted average number and diluted ordinary shares for the purpose of basic loss per share	<u>49,819,050</u>	<u>49,819,050</u>
Loss per share		
Basic and diluted	<u><u>(0.29p)</u></u>	<u><u>(0.33p)</u></u>

11. Investment

Investment – non current

Classified as:	2014 £'000	2013 £'000
Investment at fair value through profit and loss	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>
	2014 £'000	2013 £'000
Investment at fair value through profit and loss		
Fair value at start of year	-	-
44,671		
Decrease in fair value during the year	<u>-</u>	<u>-</u>
Fair value at end of year	<u><u>-</u></u>	<u><u>-</u></u>

Investment at fair value through profit and loss (continued)

The investment at 31 December 2014 includes an investment in ordinary shares of £nil (2013: £nil) in UK Group of Hotels. The Company holds 16,550,000 ordinary shares of

£1 par value in UK Group of Hotels. These ordinary shares amount to 49.92% of the issued share capital of that company.

The investment at 31 December 2014 also includes an investment in convertible preference shares of £nil (2013: £nil). The Company holds 11,770,000 preference shares of £1 each in UK Group of Hotels, amounting to 58.85% of convertible preference shares in issue.

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

The Company has no current commitments to provide financial or other support to UK Group of Hotels.

The Company were notified that at the General Meeting (“GM”) of Puma Hotels plc (“Puma”) on 10 July 2014, the resolution to change Puma’s name to UK Group of Hotels plc was approved by shareholders. The Company owns 49.92% of UK Group of Hotels, which rebranded itself as “The Hotel Collection” following the acquisition of its senior debt by LSREF III Wight Limited (“Lone Star”) from Irish Bank Resolution Corporation Limited.

The Company announced that on 4 August 2014 Paul John Clark, Paul David Williams and David John Whitehouse, each of Duff & Phelps Ltd, were appointed as joint administrators of UK Group of Hotels, in which the Company holds a 49.92% interest.

On 11 September 2014 those same joint administrators were appointed to the 18 subsidiary companies within the UK Group of Hotels and all business and assets were sold in pre-packed sales by the administrators to new entities which are ultimately controlled by Lone Star funds.

Subsequent interim reports from the administrators, the latest being dated 29 January 2015, have confirmed that there is no return for ordinary shareholders, preference shareholders or debenture holders. The investment in all forms, into UK Group of Hotels has no present or future value.

The Company’s investment in UK Group of Hotels is fully written down to £nil (2013 £nil).

As detailed in Note 3, the Company has prepared separate financial statements in accordance with 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, UK Group of Hotels and instead has measured its investment in UK Group of Hotels at fair value through profit or loss in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

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

In determining the fair value attributable to the ordinary shares and convertible preference shares in UK Group of Hotels of £nil, the Directors considered the reports from the Administrators of the UK Group of Hotels and its subsidiaries. The latest being 29 January 2015, which clearly indicates there will be no return for ordinary shareholders, preference shareholders or debenture holders.

Bonds

The investment at 31 December 2014 also includes an investment in unsecured deep discount bonds issued by UK Hotels (Finance) plc (formerly Puma Hotels (Finance) plc), a subsidiary of UK Group of Hotels, of £nil (2013: £nil). The Company holds 16,550,000 unsecured deep discounted bonds.

Once again, following receipt of the reports from the Administrators of UK Group of Hotels the Board considers the bonds to have no present or future value.

Fair value of investment

The Directors have reviewed the investment at 31 December 2014. As detailed above, in view of the appointment of Administrators to UK Group of Hotels and all of its subsidiaries, and in particular the subsequent reports from the Administrators clearly indicating no likelihood of any return to ordinary shareholders, preference shareholders or debenture holders, the Company considers there is no present or future value in the investment and must consider it to be of no value.

Fair value measurements

The information set out below provides information about how the Company determines fair values of financial assets.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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. as 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).

Some of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/2014	31/12/2013				
1) Private equity investment in UK Group of Hotels	49.92 per cent equity investment in UK Group of Hotels, engaged in hotel	49.92 per cent equity investment in UK Group of Hotels engaged in hotel	Level 3	Director assessment based on net realisable assets	The Director's experience and knowledge of the UK Group of Hotels operations and prospects	The higher net assets and the more favourable the Directors assessment of UK Group of Hotels prospects, the

		owning and operating activities - £nil	owning and operation activities - £nil				higher the fair value.
2)	Redeemable cumulative preference shares in UK Group of Hotels	11,770,000 preference shares in UK Group of Hotels, engaged in hotel owning and operating activities - £nil	11,770,000 preference shares in UK Group of Hotels, engaged in hotel owning and operating activities - £nil	Level 3	Director assessment based on net realisable assets	The Director's experience and knowledge of the UK Group of Hotels operations and prospects	The higher net assets and the more favourable the Directors assessment of UK Group of Hotels prospects, the higher the fair value.
3)	Bonds in UK Group of Hotels	£nil	£nil	Level 3	Director assessment based on net realisable assets	The Director's experience and knowledge of the UK Group of Hotels operations and prospects	The higher net assets and the more favourable the Directors assessment of UK Group of Hotels prospects, the higher the fair value.

There were no transfers between Levels 1, 2 or 3 during the current or prior year. There were no gains or losses recognised in the current year in respect of financial assets at fair value through profit or loss.

A sensitivity analysis to changes in assumptions has not been prepared due to the £nil fair value of the investments.

12. Trade and Other Receivables

	2014 £'000	2013 £'000
Amounts falling due within one year		
Prepayments and accrued income	8	9
	<u>8</u>	<u>9</u>

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. All receivables are less than 180 days and are not past due or impaired.

13. Trade and Other Payables

	2014 £'000	2013 £'000
Amounts falling due within one year		
Accruals and deferred income	25	25
	<u>25</u>	<u>25</u>

The directors consider the carrying value of Trade and Other Payables is approximately equal to their fair value.

14. Share Capital

Authorised: Ordinary Shares of £0.05

	Number	£'000
As at 31 December 2014	<u>80,000,000</u>	<u>4,000</u>

Issued and fully paid: Ordinary Shares of £0.05

	Number	£'000
Balance at start of year	49,819,050	2,491
Issued during year	-	-
As at 31 December 2014	<u>49,819,050</u>	<u>2,491</u>

The Company has one class of ordinary shares which carry no right to fixed income.

Share Premium Account

On 29 June 2009 the Company issued 15,200,000 new ordinary shares of 5p each at a placing price of 80p resulting in 75p premium on each share, a total of £11,400,000 premium. Placing costs of £385,000 were deducted from the premium achieved resulting in a net share premium of £11,015,000.

15. Notes to the Statement of Cash Flows

Reconciliation of operating loss to net cash generated by operating activities:

	2014 £'000	2013 £'000
Operating loss	(144)	(173)
Adjustments for:		
Decrease/(increase) in Trade and other Receivables	1	3
(Decrease)/increase in Trade and other payables	-	(3)
Net cash used in operating activities	<u>(143)</u>	<u>(173)</u>

16. Events after the Balance Sheet Date

An interim report dated 29 January 2015 from the Administrators of UK Group of Hotels plc has confirmed there is no prospect of any dividend to its non-preferential unsecured creditors which by definition means no return to shareholders.

The Administrators stated that the administration automatically comes to an end after one year, i.e. 4 August 2015, at which time it is anticipated a Notice will be given to move from administration to dissolution.

17. Related Party Transaction

Immediate and Ultimate Controlling Party

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

Key Management Compensation

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

	Company 2014 £'000	Company 2013 £'000
Short-term employee benefits and directors fees	_____ 41	_____ 52
Total	<u>_____ 41</u>	<u>_____ 52</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 £33,676 (2013: £42,855) were paid to PCS during the year.

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.

During the year there were no related party share transactions (2013: Former Director, Barclay Douglas, sold 220,329 ordinary shares during the year reducing his total shareholding in the company to nil. Shore Capital Group Investments Limited held 10,953,744 ordinary shares in the Company representing 31.18% of the issued share capital. Shore Capital Group Investments Limited are part of the Shore Capital Group who were nominated advisors and brokers for the Company up to 4 September 2013. These shares were held by Pershing Nominees Limited).

18. Financial Instruments

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern, this is achieved by maintaining sufficient liquid resources to meet

ongoing liabilities as they fall due, including payment of dividends, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, share premium and retained losses. The Company does not have a target gearing ratio.

The Company is not subject to any externally imposed capital requirements. Equity includes all capital and reserves of the Company that are managed as capital.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

	Company 2014 £'000	Company 2013 £'000
Financial assets		
Investment at fair value through profit and loss	-	-
Cash and cash equivalents	501	642
Loans and receivables	8	9

The investment at fair value through profit and loss which includes the bonds and the preference shares is designated level three (2013: level three) financial assets and liabilities within the definitions of IFRS 13, Fair Value Measurement. As per note 11, the investment held by the Company has been valued at £nil as at 31 December 2014 (2013: £nil). Notes 3, 4 and 11 detail the valuation techniques used by the Company in determining the fair value and note 11 details the reasons why the investment is valued at £nil. There have been no gains or losses recognised in the year, nor any purchases or disposals or transfer between levels in the fair value hierarchy.

At the end of the reporting year, there are no significant concentrations of credit risk for loans and receivables. The carrying amount reflected above represents the Company's maximum exposure to credit risk for such loans and receivables.

Financial risk management objectives

The Board of Directors monitor and manage financial risks, relating to the operation of the Company, through periodic assessment of its exposure to them. These risks include interest rate risk, credit risk, cash flow interest rate risk and liquidity risk.

Market risk

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured. The Company is not exposed to any financial risks arising from changes in foreign currency exchange rates or interest rates.

**31 December
2013**

Non-interest bearing		-	-	1	-	-	1
Variable interest rate instruments	0.52	642	-	-	-	-	642
		642	-	1	-	-	643

The amounts included above for variable interest rate instruments for non-derivative financial assets is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the reporting date.

The following table details the remaining contractual maturity for its non-derivative financial liabilities with agreed repayment dates. The table has been drawn up based on the discounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
%	£'000	£'000	£'000	£'000	£'000	£'000

**31 December
2014**

Non-interest bearing		-	25	-	-	-	25
Variable interest rate instruments	-	-	-	-	-	-	-
		-	25	-	-	-	25

Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
%	£'000	£'000	£'000	£'000	£'000	£'000

**31 December
2013**

Non-interest bearing		-	25	-	-	-	25
Variable interest rate instruments	-	-	-	-	-	-	-
		-	25	-	-	-	25