The Hotel Corporation plc

Final results for the year ended 31 December 2012

The Hotel Corporation PLC (the "Company" or "HCP") an AIM listed investment company owning 49.9%[1] of Puma Hotels plc ("PHP") announces its final results for the year to 31 December 2012, which are also available for download from the Company's website: www.thehotelcorporation.co.im and are being posted to shareholders in the next week.

[1] On 29 June 2009, when the PHP 20 million convertible preference share equity raise was completed, HCP subscribed to 11,770,000 convertible preference shares. Therefore, if in the future all the convertible preference shares are converted into ordinary shares, HCP will, on a fully converted basis, own 53.28% of PHP.

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The financial information set out in the announcement does not constitute the Company's statutory financial statements for the year ended 31 December 2012, 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 significant uncertainty in relation to the carrying value of the investments in the financial statements, 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 for the year ended 31 December 2012.

The Corporate Governance Statement forms part of this report.

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 Presentation

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 this year's annual report and audited financial statements. As detailed in note 3, the Company has early adopted Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 27 in the current year 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 annual report and financial statements no longer include consolidated results for the Group and include the Company results only.

Results of the Company

Revenue for the year is stated at £nil (2011: £2.8m). In the prior year revenue included the recognition of the shareholder bond interest and preference share dividends from PHP. However, this revenue has not been recognised as revenue during the current year 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. As at 31 December 2011, a provision of £1.4m had been made within administration expenses against revenue due. During the year ended 31 December 2012, revenue has not been recognised as it is not considered probable that it will be received. See note 5 for further details. After deducting administrative expenses and interest, operating losses amounted to £0.2m (2011: £1.2m operating profit), excluding the charge for impairment of investments £nil (2011: £63.3m) resulting in a loss before tax of £0.2m (2011: £62.1m 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 0.43p (2011: loss per share 124.7p).

The Company's net asset value per share ("NAV"), as at 31 December 2012 is 1.59p (2011: 2.02p), with the Company continuing to value its investment in PHP at £nil as disclosed in note 11. We have no further information available to us to revise this carrying value of £nil.

Dividend

The Directors do not recommend a dividend for 2012 (2011: £nil).

Annual General Meeting

The Annual General Meeting will be held on 23 July 2013.

Directors

The Directors, who served during the year and subsequently, were as follows:

	Appointed	Resigned
J. B. Douglas	14 Jun 04	6 Apr 13
D. W. Short	14 Jun 04	-
D.P. Craine	27 Jan 05	-

Barclay Douglas resigned as a director on 6th April 2013. The Board wish to thank Barclay for the significant contribution he has made to the Company since its launch in 2004 and wish him every success in the future.

Directors' Interests

The following Directors who held office at 31 December 2012 had interests in the shares of the Company.

Ordinary Shares Of 5p	**31 December 2012**		**31 December 2011**	
Director	**Beneficial**	**Non-Beneficial**	**Beneficial**	**Non-Beneficial**
Barclay Douglas	220,239	-	220,239	-
Derek Short	40,000	-	40,000	-
David Craine	18,000	-	18,000	-

Barclay Douglas also had a beneficial interest in 50,000 (2011: 50,000) preference shares in PHP as at 31 December 2012.

Substantial Shareholdings

On 20 May 2013 the Company had been notified of the following interests in the ordinary share capital of the Company.

Name of Holder	**Number**	**Percentage**
Nortrust Nominees Limited TDS	6,073,308	12.19
Peel Hunt LLP	5,772,187	11.59
Pershing Keen Nominees Limited	4,815,133	9.67
HSDL Nominees Limited	4,121,741	8.27
Nortrust Nominees Limited GSYA	3,750,000	7.53
T D Direct Investing Nominees (Europe) Limited	2,665,197	5.35
The Bank of New York (Nominees) Limited MBIF	1,897,864	3.81
The Bank of New York (Nominees) Limited CFRCF	1,872,767	3.76
HSBC Global Custody Nominee (UK) Limited	1,687,298	3.39
Giltspur Nominees Limited	1,510,000	3.03

Events after the Balance Sheet Date

Derek Short was obliged to retire as a director for reasons of age in September 2012 but following an amendment to the Company's Articles of Association at an EGM of the Company on 7 February 2013, Derek has continued to act as a director of the Company.

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 11. 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.

Risks and Uncertainties

As detailed in note 4, Critical accounting judgements and key sources of estimation uncertainty, there is significant uncertainty surrounding the valuation of the Company's investment in PHP, which has led to a valuation of £nil.

Financial Instruments

The use of financial instruments and policies are disclosed in note 18 of the financial statements.

Prospects

We continue to monitor the Company's investment in Puma and to promote ideas to the Puma Board with a view to assisting with restoration of some shareholder value. However, whilst we believe Puma hotels have performed in line with the regional hotel market place, the general trading conditions continue to be challenging. As previously reported, and based on our most recent discussion with the Puma Board, we understand that Puma's current bank debt facility continues until 31st December 2013, subject to certain conditions.

Auditor

The Company's Auditors, Deloitte LLP, have expressed a willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982 and a motion for their reappointment will be proposed at the forthcoming annual general meeting.

Registered Office

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Douglas
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IM1 5EP

D.W. Short
Director

D. P. Craine
Director and Company Secretary

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. Therefore, the directors have chosen to give selected disclosures that they believe are necessary/valuable to readers.

The Board now comprises two non-executive Directors and is 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.

Internal Control

Accounting, administration and company secretarial services are provided to the Company by Peregrine Corporate Services Limited ("PCS"). PCS are a licensed Fiduciary Service Provider regulated by the Isle of Man Financial Supervision Commission. David Craine is a director of PCS, see related party note 17.

Relations with Shareholders

The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place, assisted by our broker who undertakes this function and reports back to the Board.

Directors' Remuneration

All Board members are non-executive Directors. Fees paid in the year are disclosed below.

	2012 £'000	2011 £'000
Barclay Douglas	38	38
Derek Short	25	25
David Craine	12	12
Irrecoverable Value Added Tax	8	8
Total	83	83

All Directors are reimbursed for necessary travelling and subsistence costs incurred in attending Board and other meetings. The Company has no share option or pension schemes. Other than as disclosed above no other emoluments, incentive schemes or compensation for loss of office has been paid to any Director.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable laws and regulations.

Isle of Man 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 issued by the International Accounting Standards Board. Under Isle of Man 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 of the Company and the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting standards;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make an assessment of the Company's ability to continue as a going concern; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper 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 Companies Acts 1931 to 2004. They are also responsible for the system of internal control, 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Company website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company Statement of Comprehensive Income
For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Continuing Operations			
Revenue	5	-	2,810
Administrative expenses		(228)	(1,617)
Operating (loss)/profit		(228)	1,193
Bank interest receivable		15	8
Loss on fair value through profit and loss investment	11	-	(63,328)
Loss before taxation		(213)	(62,127)
Taxation	8	-	-
Loss for the year and total comprehensive Loss for the year	7	**(213)**	**(62,127)**
Loss per share			
Basic and diluted	10	(0.43p)	(124.7p)

Company Statement of Financial Position
As at 31 December 2012

	Notes	2012		2011	
Assets		£'000	£'000	£'000	£'000
Non-Current Assets					
Investment	11		-		-
Current Assets					
Trade and other receivables	12	12		5	
Cash and cash equivalents		807		1,031	
			819		1,036
Total Assets			819		1,036
Liabilities					
Current Liabilities					
Trade and other payables	13	28		32	
Total Liabilities			(28)		(32)
Net Assets			791		1,004
Equity					
Share capital	14	2,491		2,491	
Share premium account	14	11,015		11,015	
Retained losses		(12,715)		(12,502)	
Equity attributable to owners of the Company			791		1,004
Shareholders' Equity			791		1,004
Net Asset Value per share (Based on number of shares in issue at year end)			1.59p		2.02p

The financial statements were approved by the Board of Directors and authorised for issue on 12 June 2013.

They were signed on its behalf by;

……………….   ……………….
Derek Short   **David Craine**

Company Statement of Changes in Equity
For the year ended 31 December 2012

	Notes	Share Capital £'000	Share Premium Account £'000	Retained losses £'000	Total £'000
Balance at 1 January 2011		2,491	11,015	51,917	65,423
Loss for the year		-	-	(62,127)	(62,127)
Dividends	9	-	-	(2,292)	(2,292)
Balance at 31 December 2011		**2,491**	**11,015**	**(12,502)**	**1,004**
Loss for the year		-	-	(213)	(213)
Dividend	9	-	-	-	-
Balance at 31 December 2012		**2,491**	**11,015**	**(12,715)**	**791**

Company Statement of Cash Flows
For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Net cash (used in)/generated by operating activities	15	(239)	1,206
Cash flows from investing activities			
Interest received		15	8
Net cash generated by investing activities		15	8
Cash flows from financing activities			
Dividends paid		-	(2,292)
Net cash used in financing activities		-	(2,292)
Net decrease in cash and cash equivalents		(224)	(1,078)
Cash and cash equivalents at beginning of year		1,031	2,109
Cash and cash equivalents at end of year		807	1,031

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 nature of its principal activities is set out in the Directors' Report. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates and rounded to the nearest thousand pounds.

2. Adoption of new and revised Standards

The following new and revised Standards and Interpretations have been early adopted in the current year and have affected the amounts reported in these financial statements.

Amendments to IFRSs affecting the financial statements

Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27), issued in October 2012, introduced an exception to the principle that all subsidiaries shall be consolidated. 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 has adopted Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27) and has applied the amended standards in the financial statements for the year ended 31 December 2012.

In adopting Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27), the Company has also adopted the following standards which are applicable for annual periods beginning on or after 1 January 2013 but for which earlier application is permitted:

i. IFRS 10 Consolidated Financial Statements
ii. IFRS 11 Joint arrangements
iii. IFRS 12 Disclosure of Interests in Other Entities
iv. IAS 27 Separate Financial Statements (as amended in 2011)
v. IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

The result of the application of these standards is that the Company is an investment entity as defined by IFRS 10. The Company is now required, throughout the current period and all comparative periods presented, to apply the exception to consolidation for its subsidiary in accordance with IFRS 10 and IAS 27 (as amended) and to present separate financial statements as its only financial statements.

IFRS 10 and IFRS 12 require certain disclosures regarding the status as an investment entity and regarding the Company's interest in its subsidiary. These disclosures have been made in notes 3, 4 and 11.

The adoption of IFRS 11 and IAS 28 (as amended) has not had a material impact on the financial statements of the Company.

Standards not affecting the reported results nor the financial position

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. Amendments to IFRS 7 Disclosures – Transfer of Financial Assets
ii. Amendments to IAS 1 – Presentation of items of other Comprehensive Income

iii. Amendments to IAS 12 – Deferred tax: Recovery of Underlying Assets

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

i. Annual improvements to IFRSs: 2009-2011 Cycle (May 2012)
ii. Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
iii. Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
iv. Amendments to IFRS 1 – Government loans
v. IFRS 9 – Financial Instruments
vi. IFRS 13 – Fair Value Measurement
vii. IAS 19 (as revised in 2011) – Employee Benefits

The directors do not expect that the adoption of these standards listed above will have a material impact on the financial statements of the Company in future periods, except as follows:

- IFRS 13 will impact the measurement of fair value for certain assets and liabilities as well as the associated 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 been prepared on the historical cost basis, except for the revaluation of the investment in the Company's subsidiary PHP. 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.

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 11. 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.

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. Accordingly, the Company has adopted Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27) and has 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 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.

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 year.

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) 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 31 December 2012. 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.

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.

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 PHP 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 PHP is not publicly traded.

Revenue recognition

Note 5 describes uncertainty in relation to the revenue due from PHP 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 have 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 polices 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 PHP and the significant uncertainties associated with this in the current year which has led to a valuation of £nil (2011: £nil) .

5. Revenue

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

	2012 £'000	2011 £'000
Continuing operations		
Interest on bonds	-	1,986
Preference share dividend	-	824
	-	2,810

Following communications received from PHP, the Company announced on the 16th December 2011 and confirmed on the 2nd 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 £1,986,000 in respect of interest on bonds and £824,000 in respect of dividends on preference shares.

At 31 December 2011, receipt of revenue had been considered probable. However in the preparation of the financial statements for the year ended 31 December 2011, the debtor in relation to income for the period from 1 July 2011 to 31 December 2011 was considered uncertain and a provision of £1,405,000 had been made within administrative expenses.

6. Business and geographical segments

During the year 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 PHP. All income is derived from the UK.

7. Loss for the year

Loss for the year has been arrived at after charging:

	2012 £'000	2011 £'000
Audit fees payable for the audit of the Company's annual accounts		
- Current year	17	17
- Prior year under provision	6	-
Impairment loss on trade receivables	2,810	1,405
	2,833	1,422

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 2012 (2011 £2.3m). In the prior year the dividend paid was in respect of the 31 December 2010 final dividend of 2.6p per share and the interim dividend of 2.0p per ordinary share on 29 September 2011.

10. Loss per share

Losses : Company	2012 £'000	2011 £'000
Loss for the purposes of basic earnings per share being loss attributable to owners of the Company	(213)	(62,127)

Number of Shares	2012 No.	2011 No.
Weighted average number and diluted ordinary shares for the purpose of basic loss per share	49,819,050	49,819,050
Loss per share		
Basic and diluted	(0.43p)	(124.7p)

11. Investment

Investment – non current

Classified as:	2012 £'000	2011 £'000
Investment at fair value through profit and loss	-	-
	-	-

	2012 £'000	2011 £'000
Investments at fair value through profit and loss		
Fair value at start of year	-	63,328
Decrease in fair value during the year	-	(63,328)
Fair value at end of year	-	-

The investment at 31 December 2012 includes an investment in ordinary shares of £nil (2011: £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.

The investment at 31 December 2012 also includes an investment in convertible preference shares of £nil (2011: £nil). The Company holds 11,770,000 preference shares of £1 each in PHP.

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.

As detailed in Notes 2 and 3, 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 unaudited interim results for the 6 months to 30 June 2012.

The convertible preference shares in PHP will 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. 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 31 December 2012 also includes an investment in unsecured deep discount bonds issued by Puma Hotels (Finance) plc, a subsidiary of PHP, of £nil (2011: £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 should be classified as fair value through profit and loss and have been restated in the prior year to reflect this.

Fair value of investment

The Directors have reviewed the investment at 31 December 2012 and note that PHP was in a net liability position of £161.6m as at 30 June 2012 (31 December 2011: net liability position £176.6m) with a net current liability position of £321m (31 December 2011: £336.9m). 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. This half yearly financial report and unaudited condensed financial statements for the 6 months to 30 June 2012 is 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 31 December 2012 (2011: £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.

12. Trade and Other Receivables

	2012 £'000	2011 £'000
Amounts falling due within one year		
Prepayments and accrued income	12	5
	12	5

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

	2012 £'000	2011 £'000
Amounts falling due within one year		
Accruals and deferred income	28	32
	28	32

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 2012	80,000,000	4,000

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 2012	49,819,050	2,491

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) / profit to net cash generated by Operating Activities:

	2012 £'000	**2011 £'000**
Operating (loss)/profit	(228)	1,193
Adjustments for:		
(Increase)/decrease in Trade and other Receivables	(7)	4
(Decrease)/increase in Trade and other payables	(4)	9
Net cash (used in)/ generated by operating activities	(239)	1,206

16. Events after the Balance Sheet Date

Derek Short was obliged to retire as a director for reasons of age in September 2012 but following an amendment to the Company's Articles of Association at an EGM of the Company on 7 February 2013, Derek has continued to act as a director of the Company. Barclay Douglas resigned as a director on 6 April 2013.

17. Related Party Transactions

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 2012 £'000	**Company 2011 £'000**
Short-term employee benefits and directors fees	83	83
Total	**83**	**83**

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 £52,280 (2011: £50,184) 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.

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 bases 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 2012 £'000	Company 2011 £'000
Financial assets		
Investment at fair value through profit and loss	-	-
Cash and cash equivalents	807	1,031
Loans and receivables	12	5

The investment at fair value through profit and loss which includes the bonds and the preference shares is designated level three (2011: level three) financial assets and liabilities within the definitions of IFRS 7. As per note 11, the investment held by the Company has been valued at £nil as at 31 December 2012 (2011: £nil). Notes 3, 4 and 11 detail the valuation techniques used by the Company in determining the fair value and note 11 details the uncertainties associated with the valuation in the current year. 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.

Foreign currency risk management

Company operations are based in the Isle of Man and all assets and liabilities are denominated in sterling. As a result the Company has no exposure to foreign currency risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company Board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows.

Liquidity risk tables

The following table details the Company's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	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 2012							
Non-interest bearing		-	-	12	-	-	12
Variable interest rate instruments	0.52	807	-	-	-	-	807
		807	-	12	-	-	819

	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 2011							
Non-interest bearing		-	-	5	-	-	5
Variable interest rate instruments	0.52	1,031	-	-	-	-	1,031
		1,031	-	5	-	-	1,036

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 2012							
Non-interest bearing		-	28	-	-	-	28
Variable interest rate instruments	-	-	-	-	-	-	-
		-	28	-	-	-	28

	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 2011							
Non-interest bearing		-	32	-	-	-	32
Variable interest rate instruments	-	-	-	-	-	-	-
		-	32	-	-	-	32