

The Hotel Corporation Plc

Interim Report

For The Six Months Ended 30 June 2010

The Hotel Corporation Plc

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The Hotel Corporation Plc

Chairman's Statement

I am pleased to report on the interim results for the first six months of the current year of The Hotel Corporation plc ("the Company") and its subsidiary Puma Hotels plc ("PHP"), together "the Group". The Company's principal asset comprises its interest in PHP and this statement therefore discusses the results of both the Company itself and also of PHP.

As I indicated previously, we are now consolidating the PHP results within our own results due to the additional investment in PHP convertible preference shares made in June 2009. If all the convertible preference shares held by the Company were converted into ordinary shares in the future, the Company would, on a fully converted basis, own 53.28% of PHP. While we have no present intention of exercising our conversion rights, International Financial Reporting Standards ("IFRS") rules state that we must consolidate the PHP results into our accounts.

PHP continues to operate in line with expectations and I am pleased to see good progress has been made in securing significant planning permissions referred to in more detail in the PHP Review. We have also received our first PHP preference share dividend. I will comment upon the Company only results and the consolidated results separately.

For consistency with previous periods, the consolidated balance sheet of PHP itself, as at 30 June 2010, the consolidated profit and loss account and consolidated cash flow statement of PHP for the six months ended 30 June 2010 are also provided in this report.

Results of the Company

Revenue for the period, including bank interest, was £998,000 (2009H1: £1.0m) and, following administrative expenses, operating profit including bank interest was £886,000 (2009H1: £918,000). We received our first dividend of £412,000 from the investment in PHP convertible preference shares made in July 2009, generating a profit before tax of £1.3m (2009H1: £2.04m). The 2009 profit before tax of £2.04m included an unrealised investment gain of £1.12m incurred as a consequence of the Company's investment in PHP convertible preference shares at a discount to NAV. No tax is payable reflecting the zero corporate taxation provisions in the Isle of Man. Results from operations and bank interest and dividends contributed 2.61p (2009H1: 2.62p) to earnings per share ("eps"), as there were no unrealised investment gains in the period (2009H1: 3.18p), total eps (both basic and diluted) amounted to 2.61p (2009H1: 5.80p).

As was the case as at 31 December 2009, the Net Asset Value per share at 30 June 2010 is 131p (2009H1: 152p). The Company has valued its shareholding in PHP on the basis of the discounted future net cash flow from PHP. PHP's accounts, prepared under UK Generally Accepted Accounting Principles, include a valuation of its portfolio of 20 hotels of £463.2m (2009H1: £483.5m). This valuation includes £3m (2009H1: £3.5m) of land and other assets, at PHP Directors' valuation, not subject to the Barceló lease. The valuation of the assets subject to the Barceló lease was carried out by Colliers Robert Barry & Co, independent valuers on 5 March 2010 for the purposes of the 31 December 2009 year end accounts.

Consolidated Results of the Company

I draw your attention to the fact that the Consolidated Statement of Comprehensive Income therefore reflects the Group results for the current period, but the prior year figures to 30 June 2009 relate only to the Company, as the investment which gave rise for the need to consolidate results occurred at the end of June 2009. Hence I don't propose to refer to the prior year.

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Chairman's Statement (continued)

The Group revenue for the period, including bank interest received, was £14.9m and, following administrative expenses and interest expense but before unrealised gains and losses, the profit amounted to £1.68m. After a loss on change in fair value of interest rate swaps of £10.53m the total loss before tax was £8.85m. A deferred taxation credit of £394,000 reduces the loss after tax to £8.46m. Basic and diluted earnings per share were (10.01p).

As required by IFRS, the consolidated statement of financial position of the Group takes account of goodwill, the fair value of interest rate swaps and deferred tax adjustments on consolidation. The resulting consolidated NAV per share is 126.8p.

Dividend

The Company has today declared an interim dividend of 2.6p per ordinary share (2009H1: 1.8p). The ex-dividend date will be 29 September 2010 and the record date 1 October 2010. Payment will be made to shareholders on 29 October 2010.

Prospects

The Company's main investment continues to protect and grow value for shareholders. It has an attractive portfolio of assets, let to a progressive tenant with a strong covenant. Cash flow will gradually improve and has benefited from the 4 September 2010 increase in rent from £30m to £31m and looking ahead, the rent from Barceló is RPI linked from September 2011. PHP is well placed to exploit any recovery in investment values and pick-up in inflation.

Barclay Douglas
Chairman
23 September 2010

The Hotel Corporation Plc

Puma Hotels plc Review of Operations and Financial Performance

Introduction

Since the granting of leases to Barceló Group (“Barceló”) in September 2007, Puma Hotels plc (“PHP”, the “Company” or the “Group”) trades as an owner of hotel property receiving income from property rents. The Company’s hotels are let on 45 year FRI leases to Barceló, a leading Spanish hospitality group with substantial global hotel and other leisure related operations.

Financial Performance

Turnover for the six months ended 30 June 2010 of £14.9m represents rent received from Barceló (2009H1: £14.9m). The operating profit of £12.93m (2009H1: £12.97m) is in line with the prior year.

After deducting bank interest payable on its senior facility, the Group showed a substantial increase in net profit before Shareholder Finance Costs to £2.9m (2009H1: £0.9m). The Shareholder Finance Costs comprise £2m of payments to bondholders of the Company’s deep discounted bonds and the first payment of interest of £0.7m relating to the convertible preference shares issued in June 2009. After deducting the Shareholder Finance Costs, the profit on ordinary activities for the period was £0.1m (2009H1: loss of £1.1m) a net turnaround of £1.2m.

Net bank interest payable was 16% lower against the same period in the prior year. Commencing on 1 January 2010 the new interest rate SWAPs executed in April 2009, are in operation and have reduced the bank interest cost for the six month period to 30 June 2010 by £2m (2010H1:£10.1m vs 2009H1:£12.1m).

Leases and Property Revaluation

The tangible asset values on the balance sheet of PHP reflect the lease arrangements with Barceló. These leases place full repairing and insuring (“FRI”) obligations on the tenant and provide guaranteed rental growth over the first four years; this is inflation-indexed from September 2011 and can also increase if hotel EBITDA (as defined in the agreement with Barceló) performs well.

In addition to the tenant’s FRI obligation, the agreement with Barceló also provides for a £10m capital expenditure contribution to be made by PHP in the first 10 years of the leases. This contribution is to be spent on structural and mechanical improvements by Barceló. As at 23 September 2010, PHP has contributed £5.1m of which Barceló have spent £4.2m.

Since inception of the leases, Barceló has also spent a significant amount of their own funds on capital improvements and on repairs and maintenance expenditure.

For the purpose of preparing its 30 June 2010 interim financial statements, PHP has used the external professional valuation completed by the Company’s valuers Colliers Robert Barry on 5 March 2010 for the purposes of the 31 December 2009 year end accounts. This valuation of each property in the portfolio, which excludes land held for non-hotel development, is at £460.2m. The Board of PHP considers that the current value of the land held for development amounts to a further £3.0m (including the Combe Gatehouse – refer next page).

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Puma Hotels plc Review of Operations and Financial Performance (continued)

Development Plans

In the past, PHP has successfully exploited the potential for gains in value through developing the portfolio by adding extra rooms, conference and other facilities. PHP continues to seek additional planning permissions as well as to monitor and protect planning permissions already granted. As previously reported three significant planning consents were secured in February 2010. The current status of these planning consents is as follows:

1. **Harrogate Lodge Hotel:** Granted by Harrogate Borough Council (“HBC”) this planning consent allows for the development of a 107 bedroom lodge hotel on land that is part of the development assets excluded from the Barceló lease. On 23 July 2010, the Group signed an agreement with HBC which provides, inter alia, for the proposed lodge hotel to be directly linked into a new 3,400 sq m exhibition facility which is being built as part of the first phase in the redevelopment of the Harrogate International Centre (HIC). In addition, the Group will have the benefit of 20 car parking spaces on a 99 year lease (initial term of 25 years) from HBC. In return, the Group transferred to HBC a 103 square metre parcel of land to be used by HBC in the expansion of the HIC.

We continue to progress our discussions with branded hotel companies in relation to this development opportunity.

As part of our discussions with the HIC, their building plans also provide improved access into the HIC from the four star 170 bedroom Barceló Majestic Hotel, for which a planning consent already exists to extend the hotel by a further 85 bedrooms.

2. **Brighton Old Ship Hotel:** Planning consent has been secured for a 3,000 sq m development at this waterfront, city centre hotel which will add 42 bedrooms (a 27% increase to existing room stock), a 248 sq m conference facility and 124 sq m of bar and restaurant facilities.
3. **Gatehouse at Combe Grove Manor:** Planning and listed building consent obtained for a 30% extension of the internal space at this attractive residential property that is part of the development assets excluded from the Barceló lease. On 21 May 2010, the Group exchanged contracts for the sale of this property at a price of £275,000. Completion is scheduled for 1 October 2010.

In overall terms, PHP has the potential to add over 800 rooms (over 25 per cent of the current estate) of which 519 rooms (2009H1: 370 rooms, therefore a 40% increase in consented rooms) have already received the necessary planning or listed building consent. There are also schemes for over 3,000 sq m (of which over 70% have planning consent) of additional meeting rooms and upgrades for several leisure clubs. The economics of adding these rooms and other facilities can be highly attractive for both PHP and Barceló. The value of the development potential of the portfolio is not typically fully recognised in a professional valuation and PHP therefore believes that fulfilling the programme may add significantly to net asset value over time.

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Puma Hotels plc Review of Operations and Financial Performance (continued)

Fire at Harrogate Majestic Hotel

On 5 May 2010, the east wing of the Majestic Hotel was partially damaged by fire. All hotel guests were safely evacuated, however a Barceló employee tragically died as a result of the fire. The entire hotel remained closed until 5 September 2010 whilst the necessary rectification works were carried out so as to enable a partial reopening on that date. As of 5 September, Barceló have taken possession of 88 of the 170 bedrooms and the majority of the supporting conference and other facilities.

Works are currently being undertaken to reinstate the remaining damaged areas of the hotel and it is envisaged that bedroom and other facilities will be returned to Barceló on a progressive basis. The final completion of the rectification works is expected during the second quarter of 2011. The Company has insurance policies in place to cover property reinstatement costs and loss of rent.

Strategy and Plans

PHP's Board continues to focus on unlocking significant value by gaining additional planning consents, executing the Group's development plans and considering selective asset disposals as the investment market recovers. The Board considers that as the investment market recovers, the Group's assets should once again prove highly attractive because of the longevity of the leases and the associated indexation.

Prospects

The Company's financial position has benefited from the 4 September 2010 increase in rent from £30m to £31m and looking ahead, the rent from Barceló is RPI linked from September 2011. The planning permissions secured represent valuable additions to an already substantial development bank across the portfolio from which the Company expects to realise value as the hotel operating environment improves.

The Hotel Corporation Plc

INDEPENDENT REVIEW REPORT TO THE HOTEL CORPORATION PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprise the consolidated and company statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company statement of cash flows and related notes 1 to 13. 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 "Reviewing the 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 them 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 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."

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.

The Hotel Corporation Plc

Independent Review Report to the Hotel Corporation plc (continued)

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 2010 is not prepared, in all material respects in accordance with International Accounting Standards 34 and the AIM Rules of the London Stock Exchange.

Deloitte & Touche

Chartered Accountants

Douglas

Isle of Man

23 September 2010

The Hotel Corporation Plc

Condensed Consolidated Statement of Comprehensive Income For the six months ended 30th June 2010

	Note	Six Months Ended		Year Ended
		June 2010 (Unaudited)	June 2009 (Unaudited)	31 December 2009 (Audited)
		£'000	£'000	£'000
Continuing Operations				
Revenue	3	14,877	993	16,116
Administrative expenses		(1,798)	(83)	(1,891)
Loss on change in fair value of investment property		-	-	(22,474)
Profit/(Loss) from operations		13,079	910	(8,249)
Bank interest receivable		28	8	32
Loss on change in fair value of interest rate swaps		(10,530)	-	(1,240)
Investment gain-unrealised		-	1,117	1,117
Interest payable		(11,427)	-	(14,840)
(Loss)/Profit before tax		(8,850)	2,035	(23,180)
Taxation	4	394	-	10,803
Net (Loss)/Profit after tax for the period from continuing operations		(8,456)	2,035	(12,377)
Total comprehensive (Loss)/Profit for the period		(8,456)	2,035	(12,377)
Attributable to:				
Owners of the Company		(4,984)	2,035	(3,833)
Non-controlling interest		(3,472)	-	(8,544)
		(8,456)	2,035	(12,377)
Earnings per share				
Basic and diluted	6	(10.01p)	5.80p	(9.03p)

The Hotel Corporation Plc

Condensed Consolidated Statement of Financial Position As At 30 June 2010

Assets	Note	30 June 2010 (Unaudited) £'000	30 June 2009 (Unaudited) £'000	31 December 2009 (Audited) £'000
Non-Current Assets				
Intangible assets- Goodwill		28,382	28,382	28,382
Tangible assets	7	463,276	486,010	463,170
		<u>491,658</u>	<u>514,392</u>	<u>491,552</u>
Current Assets				
Trade and other receivables		1,491	16	1,502
Cash and Cash Equivalents		11,076	28,721	10,401
		<u>12,567</u>	<u>28,737</u>	<u>11,903</u>
Total assets		<u>504,225</u>	<u>543,129</u>	<u>503,455</u>
Current Liabilities				
Trade and other payables		13,811	13,933	14,016
Fair Value of Interest Rate Swaps		1,940	17,238	2,251
		<u>15,751</u>	<u>31,171</u>	<u>16,267</u>
Net current liabilities		<u>(3,184)</u>	<u>(2,434)</u>	<u>(4,364)</u>
Non-Current Liabilities				
Borrowings	9	348,737	363,752	348,545
Fair Value of Interest Rate Swaps		27,063	-	16,222
Deferred Tax Liabilities		33,324	44,521	33,718
		<u>409,124</u>	<u>408,273</u>	<u>398,485</u>
Total Liabilities		<u>(424,875)</u>	<u>(439,444)</u>	<u>(414,752)</u>
Net Assets		<u>79,350</u>	<u>103,685</u>	<u>88,703</u>
Capital & Reserves				
Share Capital	10	2,491	2,491	2,491
Share Premium Account		11,015	11,015	11,015
Retained Earnings		49,659	62,305	55,540
Equity attributable to equity holders of the parent		63,165	75,811	69,046
Non-controlling interest		16,185	27,874	19,657
Total Equity		79,350	103,685	88,703
Net asset value per share		<u>126.8p</u>	<u>152.0p</u>	<u>138.6p</u>

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Barclay Douglas
Director

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David Craine
Director

The Hotel Corporation Plc

23 September 2010

Condensed Consolidated Statement of Changes in Equity

As at 30 June 2010

	Share Capital £'000	Share Premium Account £'000	Non controlling interest £'000	Retained Earnings £'000	Total £'000
Balance at 01 January 2010	2,491	11,015	19,657	55,540	88,703
Comprehensive Loss for the period	-	-	(3,472)	(4,984)	(8,456)
Dividends	-	-	-	(897)	(897)
Balance at 30 June 2010 (Unaudited)	2,491	11,015	16,185	49,659	79,350
	Share Capital £'000	Share Premium Account £'000	Non controlling interest £'000	Retained Earnings £'000	Total £'000
Balance at 01 January 2009	1,731	-	-	61,170	62,901
Acquisition of Puma Hotels plc on 29 June 2009	-	-	27,874	-	27,874
Comprehensive income for the period	-	-	-	2,035	2,035
Issue of share capital	760	-	-	-	760
Placing costs	-	(385)	-	-	(385)
Premium on shares issued	-	11,400	-	-	11,400
Dividend paid	-	-	-	(900)	(900)
Balance at 30 June 2009 (Unaudited)	2,491	11,015	27,874	62,305	103,685
	Share Capital £'000	Share Premium Account £'000	Non controlling interest £'000	Retained Earnings £'000	Total £'000
Balance at 01 January 2009	1,731	-	-	61,170	62,901
Acquisition of Puma Hotels plc on 29 June 2009	-	-	27,874	-	27,874
Capital contribution from non-controlling interest	-	-	327	-	327
Comprehensive loss for the period	-	-	(8,544)	(3,833)	(12,377)
Issue of share capital	760	11,400	-	-	12,160
Placing costs	-	(385)	-	-	(385)
Dividends	-	-	-	(1,797)	(1,797)
Balance at 31 December 2009	2,491	11,015	19,657	55,540	88,703

The Hotel Corporation Plc

(Audited)

Condensed Consolidated Cash Flow Statement For the six months ended 30 June 2010

	Notes	Six Months Ended June 2010 (Unaudited) £'000	June 2009 (Unaudited) £'000	Year Ended 31 December 2009 (Audited) £'000
Net cash Inflow/(Outflow) From Operating Activities	11	13,077	(76)	11,135
Investing activities				
Interest receivable		28	8	32
Acquisition of a subsidiary		-	15,224	15,224
Proceeds received on the maturity of investments		-	993	1,986
Interest Paid		(11,427)	-	(14,605)
Net cash (outflow)/inflow from investing activities		(11,399)	16,225	2,637
Capital expenditure				
Purchase of tangible fixed assets		(106)	-	(97)
Sale of tangible fixed assets		-	-	463
Net cash (outflow)/inflow from capital expenditure		(106)	-	366
Financing activities				
Dividends paid	5	(897)	(900)	(1,797)
Shares issued		-	12,160	12,160
Placing costs		-	(385)	(385)
Term loans repaid		-	-	(15,000)
Bonds repaid		-	-	(14)
New term loan issue costs		-	-	(399)
Net cash (outflow)/inflow from financing activities		(897)	10,875	(5,435)
Net increase in cash and cash equivalents		675	27,024	8,704
Cash and cash equivalent at beginning of period		10,401	1,697	1,697
Cash and cash equivalent at end of period		11,076	28,721	10,401
Net increase in cash and cash equivalent		675	27,024	8,704

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Company Statement of Comprehensive Income For the six months ended 30 June 2010

	Notes	Six Months ended		Year ended
		June 2010 (Unaudited) £'000	June 2009 (Unaudited) £'000	31 December 2009 (Audited) £'000
Continuing Operations				
Revenue	3	993	993	1,986
Administrative expenses		(112)	(83)	(188)
Profit from operations		<u>881</u>	<u>910</u>	<u>1,798</u>
Bank interest receivable		5	8	10
Dividends received		412	-	-
Unrealised investment gain/(loss)		-	1,117	(9,663)
Profit/(Loss) before tax		<u>1,298</u>	<u>2,035</u>	<u>(7,855)</u>
Taxation	4	-	-	-
Net Profit /(Loss) after tax for the period from continuing operations		<u>1,298</u>	<u>2,035</u>	<u>(7,855)</u>
Earnings per share				
Basic and diluted	6	2.61p	5.80p	(18.50p)

The Hotel Corporation Plc

Company Statement of Financial Position As At 30 June 2010

	Notes	30 June 2010 (Unaudited) £'000	30 June 2009 (Unaudited) £'000	31 December 2009 (Audited) £'000
Non-Current Assets				
Investments	8	63,328	74,108	63,328
		<u>63,328</u>	<u>74,108</u>	<u>63,328</u>
Current Assets				
Trade and other receivables		5	15	8
Cash and Cash Equivalents		2,122	1,727	1,712
		<u>2,127</u>	<u>1,742</u>	<u>1,720</u>
Total assets		<u>65,455</u>	<u>75,850</u>	<u>65,048</u>
Current Liabilities				
Trade and other payables		30	39	24
Net Assets		<u>65,425</u>	<u>75,811</u>	<u>65,024</u>
Capital and Reserves				
Share Capital	10	2,491	2,491	2,491
Share Premium Account		11,015	11,015	11,015
Retained Earnings		51,919	62,305	51,518
		<u>65,425</u>	<u>75,811</u>	<u>65,024</u>
Net asset value per share		<u>131p</u>	<u>152p</u>	<u>131p</u>

.....
Barclay Douglas
Director

23 September 2010

.....
David Craine
Director

The Hotel Corporation Plc

Company Statement of Changes in Equity For the six months ended 30 June 2010

	Share capital	Share premium account	Retained earnings	Total
	£'000	£'000	£'000	£'000
Balance at 01 January 2010	2,491	11,015	51,518	65,024
Comprehensive income for period	-	-	1,298	1,298
Dividend paid	-	-	(897)	(897)
Balance at 30 June 2010 (Unaudited)	2,491	11,015	51,919	65,425
Balance at 01 January 2009	1,731	-	61,170	62,901
Comprehensive income for period	-	-	2,035	2,035
Dividend paid	-	-	(900)	(900)
Shares issued	760	-	-	760
Premium on shares issued	-	11,400	-	11,400
Placing costs	-	(385)	-	(385)
Balance at 30 June 2009 (Unaudited)	2,491	11,015	62,305	75,811
Balance at 01 January 2009	1,731	-	61,170	62,901
Comprehensive loss for period	-	-	(7,855)	(7,855)
Dividend paid	-	-	(1,797)	(1,797)
Shares issued	760	-	-	760
Premium on shares issued	-	11,400	-	11,400
Placing costs	-	(385)	-	(385)
Balance at 31 December 2009 (Audited)	2,491	11,015	51,518	65,024

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Company Cash Flow Statement For the six months ended 30 June 2010

		(Unaudited) Period from 1 January 2010 until 30 June 2010	(Unaudited) Period from 1 January 2009 until 30 June 2009	(Audited) Year to 31 December 2009
	Notes	£'000	£'000	£'000
Net cash Inflow/(Outflow) From Operating Activities	11	890	(76)	(189)
Investing activities				
Interest receivable		5	8	10
Preference shares in Puma		-	(11,770)	(11,770)
Proceeds received on the maturity of investments		-	993	1,986
Dividends received		412	-	-
Net cash from/(used in) investing activities		417	(10,769)	(9,774)
Financing activities				
Dividends paid	5	(897)	(900)	(1,797)
Shares issued		-	12,160	12,160
Placing costs		-	(385)	(385)
Net cash (used in)/from financing activities		(897)	10,875	9,978
Net increase in cash and cash equivalents		410	30	15
Cash and cash equivalents at beginning of period		1,712	1,697	1,697
Cash and cash equivalents at end of period		2,122	1,727	1,712
Net increase in cash and cash equivalents		410	30	15

The Hotel Corporation Plc

Notes to the Accounts For the six months ended 30 June 2010

1. 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 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board.

Going Concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Changes in accounting policy

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest financial statements. There have been no changes in policy.

2. Business and geographical segments

The Group's turnover, loss before tax and net assets are derived from its principal activity within the UK.

3. Revenue

Property rental income is only recognisable within the Group post acquisition of the Company's subsidiary, Puma Hotels plc, which occurred on 29 June 2009. The Group's turnover, loss before taxation and net assets are derived from its principal activity within the UK.

The Hotel Corporation Plc

Notes to the Accounts (continued) For the six months ended 30 June 2010

3.Revenue (continued)

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

	Six Months Ended			Year Ended	
	June 2010 Group (Unaudited) £'000	June 2010 Company (Unaudited) £'000	June 2009 Company (Unaudited) £'000	December 2009 Group (Audited) £'000	December 2009 Company (Audited) £'000
Continuing Operations					
Property rental income from management agreements with Barceló Hotels and resorts	14,877	-	-	15,123	-
	14,877	-	-	15,123	-
Amortisation of discount on bonds held to maturity	-	-	993	993	993
Bond interest received	-	993	-	-	993
	<u>14,877</u>	<u>993</u>	<u>993</u>	<u>16,116</u>	<u>1,986</u>

4. Group Tax on loss on ordinary activities

During the 6 month period there has been a decrease in the deferred tax liability of £394,000.

Company tax on loss on ordinary activities

The Income Tax (Amendment) Act 2006 provides that a standard zero rate of income tax will apply to the Company for 2008/09 and subsequent years of assessment. Therefore no provision for liability to Manx income tax has been included in these financial statements.

5. Dividends

On 25th March 2010 the Company declared a dividend of 1.8p per share. The dividend, which amounted to £896,743 was paid on 9th May 2010.

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The proposed interim dividend of 2.6p per ordinary share was approved by the Board on 23rd September 2010 and has not been included as a liability as at 30 June 2010.

Notes to the Accounts (continued) For the six months ended 30 June 2010

6. Earnings per Share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings : Company

	(Unaudited)		(Audited)
	Six Months ended		Year ended 31
	2010	2009	December
	£'000	£'000	2009
			£'000
Earnings for the purposes of basic earnings per share being net profit/(loss) attributable to owners of the Company	<u>1,298</u>	<u>2,035</u>	<u>(7,855)</u>

Earnings : Group

	(Unaudited)		(Audited)
	Six Months ended		Year ended 31
	June	June	December
	2010	2009	2009
	£'000	£'000	£'000
Earnings for the purposes of basic earnings per share being net profit/(loss) attributable to owners of the Company	<u>(4,984)</u>	<u>2,035</u>	<u>(3,833)</u>

Number of Shares	(Unaudited)		(Audited)
	Six Months ended		Year ended 31
	June	June	December
	2010	2009	2009
	No.	No.	No.
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>49,819,050</u>	<u>35,034,350</u>	<u>42,448,091</u>

There were no convertible instruments in existence as at 30 June 2010 (or in prior periods) and

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therefore diluted earnings per share do not differ from the basic earnings per share.

Notes to the Accounts (continued) For the six months ended 30 June 2010

7. Investment property : Group only

Fair Value	30 June 2010 (Unaudited) £'000	30 June 2009 (Unaudited) £'000	31 December 2009 (Audited) £'000
At beginning of year/period	463,170	486,010	486,010
Additions	106	-	97
Disposals	-	-	(463)
Decrease in fair value during the year	-	-	(22,474)
	<hr/>	<hr/>	<hr/>
At year/period end	<u>463,276</u>	<u>486,010</u>	<u>463,170</u>

8. Investments

Company Investments

Classified as:	(Unaudited) 30 June 2010 £'000	(Unaudited) 30 June 2009 £'000	(Audited) 31 December 2009 £'000
Investment at Fair Value	46,778	57,558	46,778
Bonds Held to Maturity	<u>16,550</u>	<u>16,550</u>	<u>16,550</u>
	<hr/>	<hr/>	<hr/>
	<u>63,328</u>	<u>74,108</u>	<u>63,328</u>

Investments at Fair Value

	(Unaudited) 30 June 2010 £'000	(Unaudited) 30 June 2009 £'000	(Audited) 31 December 2009 £'000
Fair value at start of year/period	46,778	44,671	44,671
Investments made during year/period	-	11,770	11,770
Increase/(decrease) in fair value	<hr/>	<hr/>	<hr/>
	-	1,117	(9,663)
Fair value at end of year	<u>46,778</u>	<u>57,558</u>	<u>46,778</u>

The investment classified as 'Fair Value through Profit and Loss' shown above represents a holding of 16,550,000 ordinary shares of £1 par value in Puma Hotels plc (PHP), which comprises 49.92% of the issued share capital of that company.

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Notes to the Accounts (continued) For the six months ended 30 June 2010

8. Investments (continued)

There were no convertible instruments in existence as at 30 June 2010 and therefore diluted earnings per share does not differ from the basic earnings per share.

In determining the fair value attributable to the ordinary shares and convertible preference shares in PHP, the Directors drew upon the discounted future net cash flows arising from PHP and utilised that net asset value for each ordinary share.

Following a thorough review using the above method, the directors have concluded that the change in fair value of the investment has been so minimal as to require no recognition in these financial statements to the period 30 June 2010.

For the purpose of preparing PHP's 30 June 2010 interim financial statements, the directors of PHP have used the external professional valuation of its Hotel portfolio completed by Colliers Robert Barry & Co Chartered Surveyors, independent valuers, as at 31 December 2009 as a basis for their assessment of the investment property carrying value.

The directors of Hotel Corporation plc have reviewed the assessment and the supporting independent valuation to conclude on the investment property value in these consolidated financial statements.

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 preference shares don't carry the right to vote except on a resolution modifying the rights attaching the preference shares.

	Six Months ended		Year ended
	June	June	31 December
	2010	2009	2009
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
Investments Held to Maturity			
At start of period	16,550	16,550	16,550
Redeemed in Period	-	(993)	(993)
Amortisation of Discount	-	993	993
	<hr/>	<hr/>	<hr/>
At end of period	16,550	16,550	16,550

The investments included above represent investments in unsecured deep discount bonds issued by Puma Hotels (Finance) plc, a subsidiary of Puma Hotels plc, maturing at nominal value on 31 December 2012. The bonds have a coupon rate of 12% percent and are listed on the Channel Islands Stock Exchange.

The Hotel Corporation Plc

Notes to the Accounts (continued) For the six months ended 30 June 2010

9. Borrowings

	30 June 2010 (Unaudited) £'000	30 June 2009 (Unaudited) £'000	31 December 2009 Audited £'000
Secured borrowing			
Bank loans	332,137	347,152	331,945
Bonds	16,600	16,600	16,600
	<u>348,737</u>	<u>363,752</u>	<u>348,545</u>

The other principal features of the Group's borrowings are as follows:

- i. The Group has bank loans within one of its subsidiaries Puma Hotels plc with Anglo Irish Bank Limited that mature on 31 December 2012. All loans bear interest at variable rates based on LIBOR but are subject to the interest rate protection instruments. The total interest charge in the current period resulted in an average interest rate of 6.13%. All the bank loans are fully drawn down. The borrowings are secured against the investment property.
- ii. The Group has no finance lease obligations.
- iii. The final redemption date for the bonds is dependent on the issuer Puma Hotels (Finance) plc issuing a redemption notice. This redemption notice will not be issued prior to 31 December 2012. On redemption the bonds will return the equivalent of 6% compound return every 6 months based on the discounted subscription price of the bonds. They are not secured against any of the assets of the Group.

10. Share Capital

The total number of Ordinary Shares of £0.05 in issue and fully paid at 30 June 2010 was 49,819,050. During the six month period there has been no further issue of shares.

The Hotel Corporation Plc

Notes to the Accounts (continued) For the six months ended 30 June 2010

11. Notes to the Statement of Cash Flows

Reconciliation of Profit/(Loss) from Operations to Net Cash from Operating Activities.

Group

	Six months ended		Year ended
	June	June	31 December
	2010	2009	2009
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
Profit /(Loss) from Operations	13,079	910	(8,249)
Decrease /(Increase) in Receivables	11	(4)	(1,491)
(Decrease)/Increase in Trade and other payables	(205)	11	(606)
Amortisation of deep discounted bonds	-	(993)	(993)
Unamortised bank arrangement fee	192	-	-
Loss on change in fair value of investment property	-	-	22,474
Net cash flow from operating activities	<u>13,077</u>	<u>(76)</u>	<u>11,135</u>

Company

	Six months ended		Year ended
	June	June	31 December
	2010	2009	2009
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
Profit /(Loss) from Operations	881	910	1,798
Decrease /(Increase) in Receivables	3	(4)	3
(Decrease)/Increase in Trade and other payables	6	11	(4)
Amortisation of deep discounted bonds	-	(993)	(1,986)
Net cash flow from operating activities	<u>890</u>	<u>(76)</u>	<u>(189)</u>

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

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Notes to the Accounts (continued) For the six months ended 30 June 2010

12. Post Balance Sheet Event

The Company declared an interim dividend of 2.6 pence per ordinary share on the issued share capital on 23rd September 2010. The ex-div date will be 29th September 2010 and a record date of 1st October 2010. Payment will be made to the Shareholders on 29th October 2010.

13. 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

During the period Barclay Douglas acted as a non-executive director of Shore Capital Group plc who act both as Nominated Advisers and Stockbrokers to the Company. Barclay Douglas retired from this role on 26th March 2010. Shore Capital Group owns shares in PHP.

The PHP Group has been involved in transactions with companies within the Shore Capital Group in relation to the management of the property portfolio.

David Craine is a Director of Peregrine Corporate Services Limited, (PCS), the company which provides accountancy, administration and secretarial services to the Company.

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

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

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Puma Hotels plc
Consolidated Profit and Loss Account
Six Months Ended 30 June 2010

	(Unaudited) Six months ended 30 June 2010 £'000	(Unaudited) Six months ended June 2009 £'000	(Audited) Year ended 31 December 2009 £'000
TURNOVER	14,877	14,877	30,000
Cost of sales	-	-	-
GROSS PROFIT	14,877	14,877	30,000
Other administrative expenses	(1,947)	(1,909)	(3,873)
Administrative expenses - exceptional (Deficit on revaluation of properties)	-	-	(2,102)
Total administrative expenses	(1,947)	(1,909)	(5,975)
OPERATING PROFIT	12,930	12,968	24,025
Interest receivable and similar income	24	17	39
Bank interest payable	(10,149)	(12,112)	(25,601)
Shareholder finance costs	(2,683)	(1,983)	(4,700)
PROFIT /(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	122	(1,110)	(6,237)
Tax on profit/(loss) on ordinary activities	-	-	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	122	(1,110)	(6,237)

The Hotel Corporation Plc

Puma Hotels plc
Consolidated Balance Sheet
As at 30 June 2010

	(Unaudited) 30 June 2010 £'000	(Unaudited) 30 June 2009 £'000	(Audited) 31 December 2009 £'000
Fixed assets			
Intangible assets – Goodwill	7,700	8,221	7,960
Tangible assets	463,277	486,010	463,170
	<u>470,977</u>	<u>494,231</u>	<u>471,130</u>
Current Assets			
Debtors	1,485	-	1,494
Cash at Bank and in hand	8,954	26,994	8,689
	<u>10,439</u>	<u>26,994</u>	<u>10,183</u>
Creditors amounts falling due within one year	(13,780)	(13,898)	(13,992)
Net current assets / (liabilities)	(3,341)	13,096	(3,809)
Total assets less current liabilities	467,636	507,327	467,321
Creditors amounts falling due after more than one year	(385,287)	(400,302)	(385,095)
Provision for liabilities	-	-	-
Net assets	82,349	107,025	82,226
Capital and reserves			
Called up share capital	1,658	1,658	1,658
Share premium account	32,137	32,137	32,137
Revaluation reserve	84,732	105,104	84,732
Profit and loss account	(36,178)	(31,874)	(36,301)
Shareholders' funds	82,349	107,025	82,226

The Hotel Corporation Plc

Puma Hotels plc
Consolidated Cashflow statement
Six Months ended 30 June 2010

	(Unaudited) Six months ended 30 June 2010 £'000	(Unaudited) Six months ended 30 June 2009 £'000	(Audited) Year ended 31 December 2009 £'000
Net cash inflow from operating activities	14,492	15,311	26,636
Returns on investments and servicing of finance			
Interest received	24	17	39
Interest paid	(14,145)	(13,289)	(27,894)
Net cash outflow from returns on investments and servicing of finance	(14,121)	(13,272)	(27,855)
Taxation			
Corporation tax paid	-	-	-
Capital expenditure			
Purchase of tangible fixed assets	(106)	(2,490)	(2,587)
Sale of tangible fixed assets	-	-	463
Net cash outflow from capital expenditure and financial investment	(106)	(2,490)	(2,124)
Net cash inflow (outflow) before financing	265	(451)	(3,343)
Financing			
Issue of preference share capital	-	20,000	20,000
Term loans repaid	-	-	(15,000)
Bonds repaid	-	(1,110)	(1,124)
New term loan issue costs	-	(193)	(592)
Net cash inflow from financing	-	18,697	3,284
Increase/(decrease) in cash	265	18,246	(59)