

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

**Final Results for the year ended 31 December 2013**

The Hotel Corporation plc announces its final results for the year to 31 December 2013 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 31 July 2014 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](http://www.thehotelcorporation.co.im) and will be posted to shareholders by Friday 27 June 2014.

For further information:

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Derek Short / David Craine

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Simon Clements

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 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 2013.

**Results of the Company**

Revenue for the year is stated at £nil (2012: £nil). During the year ended 31 December 2013, 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 for further details. After deducting administrative expenses, operating losses amounted to £0.2m (2012: £0.2m operating loss), resulting in a loss before tax of £0.2m (2012: £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 0.33p (2012: loss per share 0.43p).

The Company's net asset value per share ("NAV"), as at 31 December 2013 is 1.26p (2012: 1.59p), with the Company continuing to value its investment in PHP at £nil (2012: £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 2013 (2012: £nil).

### **Annual General Meeting**

The Annual General Meeting will be held on 31 July 2014.

### **Events after the Balance Sheet Date**

The board of Puma have informed the Company that its banking facilities have been acquired from Irish Bank Resolution Corporation Limited (“IBRC”) by Lone Star Funds (“Lone Star”).

### **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 cash flow forecasts. These cash flow 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” or “Puma”) 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.

### **Prospects**

Since our last report for the half year to 30 June 2013, the outlook for the Company and its proposals have changed very little albeit through our contact with the Puma Board, we are aware Puma Hotels has recently announced a re-branding of its hotels as the Hotel Collection. Puma appears to have managed the portfolio to best advantage given the limitations brought about by non-availability of a capital expenditure fund to invest in and improve the hotels.

We understand that Puma has traded within the terms of their banking facility which expired on 30 May 2014 and which has recently been bought from IBRC by Lone Star.

Puma is presently in discussions with Lone Star to explore the options available in terms of banking facilities going forward. It is hoped that these discussions might result in a positive outcome with some potential to enhance value for shareholders.

**D.W. Short**  
**Director**

**D. P. Craine**  
**Director and Company Secretary**

**Company Statement of Comprehensive Income  
For the year ended 31 December 2013**

		<b>2013</b>	<b>2012</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
<b>Continuing Operations</b>			
Revenue	5	-	-
Administrative expenses		<u>(173)</u>	<u>(228)</u>
Operating loss		(173)	(228)
Bank interest receivable		<u>8</u>	<u>15</u>
Loss before taxation		(165)	(213)
Taxation	8	<u>-</u>	<u>-</u>
<b>Loss for the year and total comprehensive loss for the year</b>	<b>7</b>	<b><u>(165)</u></b>	<b><u>(213)</u></b>
<b>Loss per share</b>			
Basic and diluted	10	(0.33p)	(0.43p)

**Company Statement of Financial Position  
As at 31 December 2013**

	Notes	2013		2012	
Assets		£'000	£'000	£'000	£'000
<b>Non-Current Assets</b>					
Investment	11		-		-
<b>Current Assets</b>					
Trade and other receivables	12	9		12	
Cash and cash equivalents		<u>642</u>		<u>807</u>	
			<u>651</u>		<u>819</u>
<b>Total Assets</b>			<u>651</u>		<u>819</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Trade and other payables	13	<u>25</u>		<u>28</u>	
<b>Total Liabilities</b>			<u>(25)</u>		<u>(28)</u>
<b>Net Assets</b>			<u>626</u>		<u>791</u>
<b>Equity</b>					
Share capital	14	2,491		2,491	
Share premium account	14	11,015		11,015	
Retained losses		<u>(12,880)</u>		<u>(12,715)</u>	
<b>Equity attributable to owners of the Company</b>			<u>626</u>		<u>791</u>
<b>Shareholders' Equity</b>			<u>626</u>		<u>791</u>
Net Asset Value per share (Based on number of shares in issue at year end)			1.26p		1.59p

The financial statements were approved by the Board of Directors and authorised for issue on 23 June 2014.

They were signed on its behalf by;

.....  
**Derek Short**

.....  
**David Craine**

**Company Statement of Changes in Equity  
For the year ended 31 December 2013**

	Notes	Share Capital £'000	Share Premium Account £'000	Retained losses £'000	Total £'000
<b>Balance at 1 January 2012</b>		2,491	11,015	(12,502)	1,004
Loss for the year		-	-	(213)	(213)
Dividends	9	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2012</b>		<b>2,491</b>	<b>11,015</b>	<b>(12,715)</b>	<b>791</b>
Loss for the year		-	-	(165)	(165)
Dividends	9	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2013</b>		<b>2,491</b>	<b>11,015</b>	<b>(12,880)</b>	<b>626</b>

**Company Statement of Cash Flows**  
**For the year ended 31 December 2013**

	Notes	2013 £'000	2012 £'000
<b>Net cash used in operating activities</b>	15	<u>(173)</u>	<u>(239)</u>
<b>Cash flows from investing activities</b>			
Interest received		<u>8</u>	<u>15</u>
Net cash generated by investing activities		<u>8</u>	<u>15</u>
<b>Cash flows from financing activities</b>			
Dividends paid		<u>-</u>	<u>-</u>
Net cash used in financing activities		<u>-</u>	<u>-</u>
<b>Net decrease in cash and cash equivalents</b>		(165)	(224)
<b>Cash and cash equivalents at beginning of year</b>		<u>807</u>	<u>1,031</u>
<b>Cash and cash equivalents at end of year</b>		<u>642</u>	<u>807</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 8. The nature of its principal activities is set out in the Directors' Report on pages 5 to 8. 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 with the exception of additional disclosure requirements in respect of IFRS 13, Fair Value Measurement, but may impact the accounting for future transactions and arrangements.

- 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 13 – Fair Value Measurement
- vi. IAS 19 (as revised in 2011) – Employee Benefits

#### 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 issue but not yet effective (and in some cases had not yet been adopted by the EU):

- i. IFRS 9 Financial Instruments
- ii. IAS 36 (amendments) Recoverable Amount Disclosures for Non-Financial Assets
- iii. IAS 39 (amendments) Novation of Derivatives and Continuation of Hedge Accounting
- iv. IFRIC 21 Levies

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.

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. 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 cash flow forecasts. These cash flow 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. 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 2013.

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, Financial Instruments: Recognition and Measurement.

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 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 2013 (2012: £nil).

### **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 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 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 PHP and the significant uncertainties associated with this in the current year which has led to a valuation of £nil (2012: £nil).

## **5. Revenue**

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

Following these communications and after review of the PHP financial statements for the year ended 31 December 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.

## **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 PHP. All income is derived from the UK.

## 7. Loss for the year

Loss for the year has been arrived at after charging:

	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Audit fees payable for the audit of the Company's annual accounts		
- Current year	20	17
- Prior year (over)/under provision	(1)	6
Impairment loss on trade receivables	<u>-</u>	<u>-</u>
	<u>19</u>	<u>23</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 2013 (2012: £nil).

## 10. Loss per share

	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Loss for the purposes of basic earnings per share being loss attributable to owners of the Company	<u>(165)</u>	<u>(213)</u>
<b>Number of Shares</b>	<b>2013</b> <b>No.</b>	<b>2012</b> <b>No.</b>
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>
<b>Loss per share</b>		
Basic and diluted	<u>(0.33p)</u>	<u>(0.43p)</u>

## 11. Investment

### Investment – non current

Classified as:	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
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Investment at fair value through profit and loss	-	-
	<u>-</u>	<u>-</u>
	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>

#### **Investments at fair value through profit and loss**

Fair value at start of year	-	-
Decrease in fair value during the year	<u>-</u>	<u>-</u>
Fair value at end of year	<u>-</u>	<u>-</u>

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

The investment at 31 December 2013 also includes an investment in convertible preference shares of £nil (2012: £nil). The Company holds 11,770,000 preference shares of £1 each in PHP, amounting to 58.85% of convertible preference shares in issue.

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 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, PHP and instead has measured its investment in PHP at fair value through profit or loss in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

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

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

Previously the final date for bonds was dependent on the issuer issuing a redemption notice which could not be issued without the approval of IBRC, PHP’s previous senior

lender or until such time that all liabilities to IBRC had been fully discharged. As we have no knowledge of the conditions of purchase of the senior debt by Lone Star we are unaware if this condition has passed to Lone Star. As the bonds have no fixed maturity date they are classified as fair value through the profit and loss account.

### **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 £166.1m as at 31 December 2012 (31 December 2011: net liability position £176.6m) with a net current liability position of £327.7m (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. The 31 December 2012 financial statements are the latest financial information that has been made available to the Company.

Based on PHP's financial situation and the fact that as at the date of these financial statements they have not renegotiated their banking facilities which expired on 30 May 2014, significant uncertainty exists in relation to PHP's ability to continue as a going concern, albeit as disclosed in note 16, the directors of Puma have informed the Company that its banking facilities were sold by IBRC to Lone Star.

Until the results of these negotiations are known that uncertainty will continue. For the time being therefore the Directors believe that the investment in PHP may possibly have some future value however, due to the significant uncertainty described above, the Directors believe that the fair value of the investment in PHP should be £nil (2012: £nil). The Directors recognise that there is a significant level of uncertainty relating to this fair value estimate, which may be greater than £nil.

### **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
	31/12/2013	31/12/2012				
1) Private equity investment in Puma	49.92 per cent equity investment in Puma, engaged in	49.92 per cent equity investment in Puma engaged in	Level 3	Director assessment based on net realisable assets	The Director's experience and knowledge of the Puma operations and	The higher net assets and the more favourable the Directors assessment of

		hotel owning and operating activities - £nil	hotel owning and operation activities - £nil			prospects	Puma's prospects, the higher the fair value.
2)	Redeemable cumulative preference shares in Puma	11,770,000 preference shares in Puma, engaged in hotel owning and operating activities - £nil	11,770,000 preference shares in Puma, 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 Puma operations and prospects	The higher net assets and the more favourable the Directors assessment of Puma's prospects, the higher the fair value.
3)	Bonds in Puma	£nil	£nil	Level 3	Director assessment based on net realisable assets	The Director's experience and knowledge of the Puma operations and prospects	The higher net assets and the more favourable the Directors assessment of Puma's 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 and because changes in the fair value of the investment will derive from changes in the net asset position of Puma, which as disclosed above is currently a net liability position of £166.1m as at 31 December 2012.

## 12. Trade and Other Receivables

	2013 £'000	2012 £'000
<b>Amounts falling due within one year</b>		
Prepayments and accrued income	9	12
	<u>9</u>	<u>12</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

	2013 £'000	2012 £'000
<b>Amounts falling due within one year</b>		
Accruals and deferred income	25	28
	<u>25</u>	<u>28</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 2013	<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 2013	<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:

	2013 £'000	2012 £'000
Operating loss	(173)	(228)
Adjustments for:		
Decrease/(increase) in Trade and other Receivables	3	(7)
(Decrease)/increase in Trade and other payables	(3)	(4)
<b>Net cash used in operating activities</b>	<u>(173)</u>	<u>(239)</u>

#### 16. Events after the Balance Sheet Date

The directors of Puma have informed the Company that its banking facilities were sold by IBRC to Lone Star. At present the Puma board are in negotiations with Lone Star as to the options available in terms of banking facilities going forward.



## 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 2013 £'000	Company 2012 £'000
Short-term employee benefits and directors fees	<u>52</u>	<u>83</u>
<b>Total</b>	<b><u>52</u></b>	<b><u>83</u></b>

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 £42,855 (2012: £52,280) 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.

Barclays Douglas sold 220,239 ordinary shares during the year reducing his total shareholding in the company to nil.

Shore Capital Group Investments Limited holds 15,534,413 ordinary shares in the Company representing 31.18% of the issued share capital. Shore Capital Group Investments Limited is part of the Shore Capital Group who were nominated advisors and brokers up to 4 September 2013. These shares are held by Pershing Nominees Limited, (see Substantial Shareholdings).

## 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

	<b>Company 2013 £'000</b>	<b>Company 2012 £'000</b>
<b>Financial assets</b>		
Investment at fair value through profit and loss	-	-
Cash and cash equivalents	642	807
Loans and receivables	9	12

The investment at fair value through profit and loss which includes the bonds and the preference shares is designated level three (2012: 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 2013 (2012: £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.

	<b>Weighted average effective interest rate</b>	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>5+ years</b>	<b>Total</b>
	%	£'000	£'000	£'000	£'000	£'000	£'000
<b>31 December 2013</b>							
Non-interest bearing		-	-	1	-	-	1
Variable interest rate instruments	0.52	642	-	-	-	-	642
		642	-	1	-	-	643

	<b>Weighted average effective interest rate</b>	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>5+ years</b>	<b>Total</b>
	%	£'000	£'000	£'000	£'000	£'000	£'000
<b>31 December 2012</b>							
Non-interest bearing		-	-	7	-	-	7
Variable interest rate instruments	0.52	807	-	-	-	-	807
		807	-	7	-	-	814

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
<b>31 December 2013</b>							
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
<b>31 December 2012</b>							
Non-interest bearing		-	28	-	-	-	28
Variable interest rate instruments	-	-	-	-	-	-	-
		-	28	-	-	-	28