

29 September 2011

## **The Hotel Corporation plc**

### **Interim Results for the Six Months ended 30 June 2011**

The Hotel Corporation plc (the “Company”), an AIM listed investment company owning 49.9%<sup>1</sup> of Puma Hotels plc (“PHP”), announces its interim results for the six months to 30 June 2011. PHP is today separately announcing interim results for the six months to 30 June 2011.

<sup>1</sup> 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.

### **Highlights**

- Group turnover for the period up by 3.3% representing increased rental income
- Increase in operating profit of 4.8% reflects both increased rental income and lower administrative expenses

Barclay Douglas, Chairman of The Hotel Corporation plc, said:

“The global economic environment remains uncertain, thereby significantly impacting hotel sector performance and the hotel investment market. Against this backdrop, we are however encouraged that the Company’s investment, PHP, holds an attractive portfolio of hotels let to a progressive tenant.”

#### **Press enquiries**

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Barclay Douglas**

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## Notes to Editors

1. The Group acquired 13 Paramount branded hotels in July 2004. Following further acquisitions it now owns 20 four-star hotels across Scotland, Northern England, Central England, Southern England and Wales. See the table below for a full list of hotels.
2. The hotels offer extensive banqueting, conference and leisure facilities and many of them have architectural and historical significance. The Group has 2,875 bedrooms and around 20,000 square metres of conference and meeting space and offers extensive facilities to both corporate and leisure guests.
3. From July 2004 until September 2007, the Group also operated each of the 20 hotels. From September 2007 the Group granted 45 year FRI leases for each hotel to Barceló Group, a leading Spanish operator with substantial global operations. Since 1 January 2008 all 20 hotels carry the Barceló brand.
4. The Group's hotel locations are shown below:

	<b>Bedrooms</b>	<b>No. of meeting rooms</b>	<b>Health &amp; Leisure</b>	<b>Location</b>
<b>CENTRAL ENGLAND</b>				
1	Barceló Billesley Manor Hotel, Nr. Stratford*	72	12 Y	Country
2	Barceló Cheltenham Park Hotel	152	11 Y	Country
3	Barceló Daventry Hotel	155	8 Y	Country
4	Barceló Hinckley Island Hotel	362	21 Y	Country
5	Barceló Oxford Hotel	168	25 Y	City
6	Barceló Buxton Palace Hotel	122	9 Y	Country
7	Barceló Walton Hall Hotel & Spa, Warwickshire* +	202	20 Y	Country
8	Barceló The Lygon Arms, Cotswolds*	77	8 Y	Country
<b>NORTHERN ENGLAND</b>				
9	Barceló Blackpool Imperial Hotel	180	15 Y	Coast
10	Barceló Harrogate Majestic Hotel	170	10 Y	City
11	Barceló Redworth Hall Hotel, Co. Durham*	143	10 Y	Country
12	Barceló Shrigley Hall Hotel, Cheshire*	148	12 Y	Country
<b>SCOTLAND</b>				
13	Barceló Edinburgh Carlton Hotel	189	10 Y	City
14	Barceló Troon Marine Hotel*	89	4 Y	Coast
15	Barceló Stirling Highland Hotel	96	7 Y	City
<b>SOUTHERN ENGLAND</b>				
16	Barceló Combe Grove Manor, Bath*	42	5 Y	Country
17	Barceló Basingstoke Country Hotel	100	10 Y	Country
18	Barceló Torquay Imperial Hotel	152	7 Y	Coast
19	Barceló Brighton Old Ship Hotel	154	11 N	Coast
<b>WALES</b>				
20	Barceló Cardiff Angel Hotel	102	7 N	City
	<b>Total</b>	<b>2,875</b>	<b>222</b>	

\* *Barceló Premium Hotels*

+ *Operationally, Barceló split this property into a Barceló Premium Hotel, Barceló Walton Hall and a Barceló Hotel, Barceló Walton Hotel*

## **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 and also of PHP.

For consistency with previous periods, the consolidated balance sheet of PHP, as at 30 June 2011, the consolidated profit and loss account and consolidated cash flow statement of PHP for the six months ended 30 June 2011 are also provided as an appendix to this report. I recommend that they be read in conjunction with the results that follow.

I am pleased to see that PHP's turnover has increased against the prior period and that its administrative expenses have reduced.

I will comment upon the Company results and the consolidated results separately. Comparatives shown below relate to the period ended 30 June 2010 and have been restated as described in note 2.

### **Results of the Company**

Revenue for the period, including bank interest and dividends received from the investment in PHP Convertible Shares, was £1.4m (2010: £1.4m) and following administrative expenses, operating profit including bank interest was £1.3m (2010: £1.3m). No tax is payable reflecting the zero corporate taxation provisions in the Isle of Man. Results from operations and bank interest and dividends received for the period led to both basic and diluted earnings per share of 2.64p (2010: total earnings per share ("eps"), both basic and diluted of 2.61p).

The Net Asset Value per share at 30 June 2011 is 131p (2010: 131p). 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 £458.5m (2010: £463.3m). This valuation includes £2.8m (2010: £3m) 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 for the purposes of the 31 December 2010 year end accounts. The directors believe that the valuation remains relevant for the interim financial report.

### **Consolidated Results of the Company**

The Group revenue for the period, including bank interest received, was £15.4m (2010: £14.9m) and, following administrative expenses and interest expense but before unrealised gains and losses, the profit amounted to £1.3m (2010: £1.7m). After a gain on change in fair value of interest rate swaps of £1.6m (2010: loss £10.5m) the total profit before tax was £2.9m (2010: £8.9m loss). A deferred taxation credit of £2.9m (2010 £0.4m) increases the profit after tax to £5.8m (2010 £8.5m loss), which has been further detailed in Note 5. Basic and diluted earnings per share were 7.17p (2010: both basic and diluted loss of 7.17p restated). In the six months ended 30 June 2010, the convertible preference shares, to the amount of £8,230,000, have been restated to remove them from non-controlling interest and include them within liabilities in line with IAS 32 "Financial Instruments: Presentation". See Note 2 to the financial statements for further details).

### **Chairman's Statement (continued)**

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 136.3p (2010: 126.8p).

#### **Dividend**

The Company has today declared an interim dividend of 2.0p per ordinary share (2010H1: 2.6p). The ex-dividend date will be 12 October 2011 and the record date 14 October 2011. Payment will be made to shareholders on 7 November 2011.

#### **Prospects**

The global economic environment remains uncertain, thereby significantly impacting hotel sector performance and the hotel investment market. Against this backdrop, we are however encouraged that the Company's investment, PHP, holds an attractive portfolio of hotels let to a progressive tenant.

**Barclay Douglas**  
**Chairman**  
**29 September 2011**

## **Puma Hotels plc Review of Operations and Financial Performance**

### **Introduction**

The Group's hotels are let on full repairing and insuring ("FRI") leases (with 31 years remaining along with two, 5-year tenant extension options) 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 2011 of £15.4m represents rent received from Barceló (2010H1: £14.9m). The operating profit of £13.6m (2010H1: £13.0m) is ahead of the prior year reflecting the increased level of rent and lower administrative expenses.

After deducting bank interest payable on its senior facility, net profit before Shareholder Finance Costs was £2.4m (2010H1: £2.9m). The Shareholder Finance Costs comprise £2m of payments to bondholders of the Group's deep discounted bonds and interest of £0.7m relating to the convertible preference shares issued in June 2009. After deducting the Shareholder Finance Costs, the loss on ordinary activities for the period was £0.3m (2010H1: profit of £0.1m).

Net bank interest payable (2011H1:£11.2m vs 2010H1:£10.1m) was 10% higher against the same period in the prior year. This was due to the SWAP rate on £182.345m of the facility stepping up from 2.23% in 2010 to 3.33% from 1 January 2011.

### **Leases and Property Revaluation**

The tangible asset values on the consolidated balance sheet of the Group reflect the lease arrangements with Barceló. These leases provided guaranteed rental growth over the first four years and then provide for annual RPI increases during the rest of the term, subject to an annual cap on the increase of 5.5%. The September 2011 RPI increase of the rent is at 5.0% thereby increasing the annual rent from £31m to £32.55m.

The leases also place FRI obligations on the tenant. In addition to the tenant's FRI obligation, the agreement with Barceló also provides for annual capital expenditure contributions to be made by Puma Hotels plc ("PHP") in the first 10 years of the leases. These contributions have been spent on structural and mechanical improvements by Barceló.

For the purpose of preparing its 30 June 2011 interim financial statements, PHP has used the external professional valuation completed by its valuers Colliers Robert Barry on 25 January 2011 for the purposes of the 31 December 2010 year end accounts. This valuation of each hotel in the portfolio, which excludes property not leased to Barceló, is at £455.6m. The Board of PHP considers that the current value of this property amounts to a further £2.75m. As at 30 June 2011, the total value of tangible assets was at £458.4m (2010H1:£463.3m).

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

### **Planning Update**

The Group continues with its strategy to add value by securing additional planning consents and seeking ways of maximising the value of these consents.

The Group has the potential to add over 700 bedrooms (excluding the bedrooms relating to the agreement for lease between Paramount Hotels and Premier Inn referred to below) of which 472 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 the Group and Barceló.

### **Agreement for Lease**

As previously reported, on 4 August 2011 Paramount Hotels Limited, a subsidiary of PHP, has entered into an agreement for a lease with Premier Inn Hotels Limited and Whitbread Group Plc, in relation to a 107 bedroom Premier Inn Hotel in Harrogate. Premier Inn is the largest and fastest-growing hotel brand in the UK, with 600 Premier Inn hotels comprising more than 44,000 rooms.

The arrangement with Premier Inn follows the agreement signed with Harrogate Borough Council in 2010, 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.

### **Fire at Harrogate Majestic Hotel**

On 5 May 2010, the east wing of the Majestic Hotel was partially damaged by 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. On 5 September, Barceló took possession of 88 of the 170 bedrooms and the majority of the supporting conference and other facilities. Additional bedrooms and other facilities were progressively handed back to Barceló with the full rectification works certified as being completed on 17 May 2011.

The Group's insurance policies cover the property reinstatement costs and loss of rent.

### **Strategy and Prospects**

The Group continues to focus on unlocking value by gaining additional planning consents, and considering selective asset disposals as the UK provincial hotel investment market recovers.

## **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 2011 which comprise the consolidated and company statements of comprehensive income, statements of financial position, statements of changes in equity, and cash flow statements and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

### **Directors' responsibilities**

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

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

### **Our responsibility**

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

### **Scope of review**

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

**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 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as issued by the IASB and the AIM Rules of the London Stock Exchange.

**Deloitte LLP**  
Chartered Accountants  
Douglas, Isle of Man  
29 September 2011

Notes: A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the Isle of Man governing the preparation of financial information differs from legislation in other jurisdictions.



**Condensed Consolidated Statement of Comprehensive Income**  
**For the six months ended 30<sup>th</sup> June 2011**

	Note	Six Months Ended June 2011 (Unaudited) £'000	Six Months Ended June 2010 (Unaudited) Restated (Note 2) £'000	Year Ended 31 December 2010 (Audited) £'000
<b>Continuing Operations</b>				
Revenue	4	15,373	14,877	30,326
Administrative expenses		(1,665)	(1,798)	(3,302)
Decrease in fair value of investment property		-	-	(6,930)
<b>Operating Profit</b>		<b>13,708</b>	<b>13,079</b>	<b>20,094</b>
Bank interest receivable		26	28	41
Change in fair value of interest rate swaps		1,623	(10,530)	(7,697)
Interest payable		(12,436)	(11,427)	(23,053)
Profit /(Loss) before tax		2,921	(8,850)	(10,615)
Tax	5	2,913	394	4,799
<b>Profit/(Loss) after tax for the period</b>		<b>5,834</b>	<b>(8,456)</b>	<b>(5,816)</b>
<b>Profit/(Loss) and total comprehensive income for the period</b>		<b>5,834</b>	<b>(8,456)</b>	<b>(5,816)</b>
Attributable to:				
Owners of the Company		3,572	(3,571)	(1,606)
Non controlling interest	13	2,262	(4,885)	(4,210)
		<b>5,834</b>	<b>(8,456)</b>	<b>(5,816)</b>
<b>Earnings/Loss per share</b>				
Basic and diluted from continuing operations	6	7.17p	(7.17p)	(3.22p)

**Condensed Consolidated Statement of Financial Position**  
**As At 30 June 2011**

Assets	Note	30 June 2011 (Unaudited)	30 June 2010 (Unaudited) Restated (Note 2)	31 December 2010 (Audited)
		£'000	£'000	£'000
<b>Non-Current Assets</b>				
Intangible assets- Goodwill		28,382	28,382	28,382
Tangible assets	8	458,490	463,276	458,321
		486,872	491,658	486,703
<b>Current Assets</b>				
Trade and other receivables		363	1,491	316
Cash and Cash Equivalents		12,003	11,076	11,586
		12,366	12,567	11,902
<b>Total assets</b>		<b>499,238</b>	<b>504,225</b>	<b>498,605</b>
<b>Current Liabilities</b>				
Trade and other payables		14,581	13,811	14,143
Fair Value of Interest Rate Swaps	10	2,252	1,940	4,430
		16,833	15,751	18,573
<b>Net current liabilities</b>		<b>(4,467)</b>	<b>(3,184)</b>	<b>(6,671)</b>
<b>Non-Current Liabilities</b>				
Borrowings	11	348,870	348,737	348,678
Preference shares	11	8,230	8,230	8,230
Fair Value of Interest Rate Swaps	10	22,295	27,063	21,740
Deferred Tax Liabilities		26,006	33,324	28,919
		405,401	417,354	407,567
<b>Total Liabilities</b>		<b>(422,234)</b>	<b>(433,105)</b>	<b>(426,140)</b>
<b>Net Assets</b>		<b>77,004</b>	<b>71,120</b>	<b>72,465</b>
<b>Capital &amp; Reserves</b>				
Share Capital	12	2,491	2,491	2,491
Share Premium Account		11,015	11,015	11,015
Retained Earnings		54,391	51,444	52,114
<b>Equity attributable to owners of the Company</b>		<b>67,897</b>	<b>64,950</b>	<b>65,620</b>
Non controlling interest	13	9,107	6,170	6,845
<b>Total Equity</b>		<b>77,004</b>	<b>71,120</b>	<b>72,465</b>
<b>Net asset value per share</b>		<b>136.3p</b>	<b>126.8p</b>	<b>131.7p</b>

(Based on number of shares in issue at period/year end)

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**Barclay Douglas**  
**Director**  
**29 September 2011**

.....  
**David Craine**  
**Director**

**Condensed Consolidated Statement of Changes in Equity**  
As at 30 June 2011

	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Non controlling interest £'000	Total £'000
<b>Balance at 01 January 2011</b>	2,491	11,015	52,114	6,845	72,465
Profit for the period	-	-	3,572	2,262	5,834
Dividends	-	-	(1,295)	-	(1,295)
<b>Balance at 30 June 2011 (Unaudited)</b>	<u>2,491</u>	<u>11,015</u>	<u>54,391</u>	<u>9,107</u>	<u>77,004</u>

	Share Capital £'000	Share Premium Account £'000	(Note 2) Restated Retained Earnings £'000	(Note 2) Restated Non controlling interest £'000	Total £'000
<b>Balance at 01 January 2010</b>	2,491	11,015	55,912	11,055	80,473
Loss for the period	-	-	(3,571)	(4,885)	(8,456)
Dividends	-	-	(897)	-	(897)
<b>Balance at 30 June 2010 (Unaudited)</b>	<u>2,491</u>	<u>11,015</u>	<u>51,444</u>	<u>6,170</u>	<u>71,120</u>

	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Non controlling interest £'000	Total £'000
<b>Balance at 01 January 2010</b>	2,491	11,015	55,912	11,055	80,473
Loss for the period	-	-	(1,606)	(4,210)	(5,816)
Dividends	-	-	(2,192)	-	(2,192)
<b>Balance at 31 December 2010 (Audited)</b>	<u>2,491</u>	<u>11,015</u>	<u>52,114</u>	<u>6,845</u>	<u>72,465</u>

**Condensed Consolidated Cash Flow Statement**  
**For the six months ended 30 June 2011**

	Notes	Six Months Ended June 2011 (Unaudited) £'000	June 2010 (Unaudited) £'000	Year Ended 31 December 2010 (Audited) £'000
<b>Net cash Inflow From Operating Activities</b>	14	<b>14,291</b>	<b>13,077</b>	<b>28,720</b>
<b>Investing activities</b>				
Interest Paid		(12,436)	(11,427)	(23,053)
Interest receivable		26	28	41
Additions of investment properties		(169)	(106)	(2,349)
Sale of investment properties		-	-	268
Net cash used in Investing activities		(12,579)	(11,505)	(25,093)
<b>Financing activities</b>				
Dividends paid	7	(1,295)	(897)	(2,192)
New term loan issue costs		-	-	(250)
Net cash outflow from financing activities		(1,295)	(897)	(2,442)
<b>Net increase in cash and cash equivalents</b>		<b>417</b>	<b>675</b>	<b>1,185</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>11,586</b>	<b>10,401</b>	<b>10,401</b>
<b>Cash and cash equivalents at end of period</b>		<b>12,003</b>	<b>11,076</b>	<b>11,586</b>

**Company Statement of Comprehensive Income**  
**For the six months ended 30 June 2011**

	Notes	Six Months ended		Year ended
		June 2011 (Unaudited) £'000	June 2010 (Unaudited) £'000	31 December 2010 (Audited) £'000
<b>Continuing Operations</b>				
Revenue	4	1,405	1,405	2,811
Administrative expenses		<u>(95)</u>	<u>(112)</u>	<u>(228)</u>
Operating Profit		1,310	1,293	2,583
Bank interest receivable		<u>3</u>	<u>5</u>	<u>8</u>
Profit before tax		1,313	1,298	2,591
Taxation	5	<u>-</u>	<u>-</u>	<u>-</u>
<b>Profit after taxation and total comprehensive income for the period</b>		<b><u>1,313</u></b>	<b><u>1,298</u></b>	<b><u>2,591</u></b>
<b>Earnings per Share</b>				
Basic and diluted	6	2.64p	2.61p	5.20p

**Company Statement of Financial Position  
As At 30 June 2011**

	Notes	30 June 2011 (Unaudited) £'000	30 June 2010 (Unaudited) £'000	31 December 2010 (Audited) £'000
<b>Non-Current Assets</b>				
Investments	9	63,328	63,328	63,328
<b>Current Assets</b>				
Trade and other receivables		6	5	9
Cash and Cash Equivalents		2,117	2,122	2,109
		2,123	2,127	2,118
<b>Total assets</b>		65,451	65,455	65,446
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables		10	30	23
		10	30	23
<b>Net Assets</b>		65,441	65,425	65,423
<b>Capital and Reserves</b>				
Share Capital	12	2,491	2,491	2,491
Share Premium Account		11,015	11,015	11,015
Retained Earnings		51,935	51,919	51,917
<b>Equity attributable to owners of the Company</b>		65,441	65,425	65,423
<b>Net Asset Value per share</b>		131.4p	131.3p	131.3p
(Based on number of shares in issue at period/year end)				

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**Barclay Douglas**  
Director

.....  
**David Craine**  
Director

**29 September 2011**

**Company Statement of Changes in Equity  
For the six months ended 30 June 2011**

	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total £'000
<b>Balance at 01 January 2011</b>	2,491	11,015	51,917	65,423
Profit for the period	-	-	1,313	1,313
Dividends	-	-	(1,295)	(1,295)
<b>Balance at 30 June 2011 (Unaudited)</b>	<u>2,491</u>	<u>11,015</u>	<u>51,935</u>	<u>65,441</u>

	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total £'000
<b>Balance at 01 January 2010</b>	2,491	11,015	51,518	65,024
Profit for the period	-	-	1,298	1,298
Dividends	-	-	(897)	(897)
<b>Balance at 30 June 2010 (Unaudited)</b>	<u>2,491</u>	<u>11,015</u>	<u>51,919</u>	<u>65,425</u>

	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total £'000
<b>Balance at 01 January 2010</b>	2,491	11,015	51,518	65,024
Profit for the period	-	-	2,591	2,591
Dividends	-	-	(2,192)	(2,192)
<b>Balance at 31 December 2010 (Audited)</b>	<u>2,491</u>	<u>11,015</u>	<u>51,917</u>	<u>65,423</u>

**Company Cash Flow Statement**  
**For the six months ended 30 June 2011**

		Six Months Ended		Year Ended
		June	June	31 December
		2011	2010	2010
	Notes	(Unaudited)	(Unaudited)	(Audited)
		£'000	£'000	£'000
<b>Net cash Inflow From Operating Activities</b>	14	<u>1,300</u>	<u>1,302</u>	<u>2,581</u>
<b>Investing activities</b>				
Interest received		3	5	8
<b>Net cash used in Investing activities</b>		<u>3</u>	<u>5</u>	<u>8</u>
<b>Financing activities</b>				
Dividends paid	7	(1,295)	(897)	(2,192)
<b>Net cash outflow from financing activities</b>		<u>(1,295)</u>	<u>(897)</u>	<u>(2,192)</u>
<b>Net increase in cash and cash equivalents</b>		<u>8</u>	<u>410</u>	<u>397</u>
<b>Cash and cash equivalents at beginning of period</b>		<u>2,109</u>	<u>1,712</u>	<u>1,712</u>
<b>Cash and cash equivalents at end of period</b>		<u>2,117</u>	<u>2,122</u>	<u>2,109</u>



**Notes to the Financial Statements**  
**For the six months ended 30 June 2011**

**1. Accounting policies**

The significant accounting policies and estimation techniques adopted by the Group for the period ended 30 June 2011 are consistent with those adopted by the Group for the annual financial statements for the year ended 31 December 2010.

**Basis of Preparation**

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

**Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value of the underlying investment in PHP to which goodwill has been allocated. An impairment review was performed during the period by the directors, however no impairment was recognised. The carrying amount of goodwill at the balance sheet date was £28,382,000 with no impairment losses recognised between date of acquisition and the period end. In determining the net present value of the future cash flows of PHP, the Company has analysed current income derived from and asset values within the Barcelo lease using a discount rate of 6.5% for a period of not more than five years and using a growth rate of 1.8% based on annual cashflows and has also applied various sensitivities to these. In relation to potential future realisation proceeds, the Company has taken account of current and expected conditions in the hotel investment and valuation market and has applied discount rates which reflect the market's return expectations. In estimating market expectations, the Company has considered any comparable transactions and has also taken account of key measures such as the interest rate swaps market and returns on government bonds. The Company has also assumed that PHP will continue to be appropriately funded.

**Going Concern**

The Directors have considered the factors which are likely to affect the Group's future development. The Group's business activities, performance and position are set out in the Chairman's Statement. The Group's valuation of its properties is set out in the PHP Review of Operations and Financial Performance. In addition, notes 9, 10 and 11 to the financial statements include further details on the valuation of the Group's properties, borrowing facilities and associated interest rate hedge instruments. The maturity of the Group's debt facility is 31 December 2012, interest rate hedges are in place for 100% of the facility and the rental income benefits from guarantees provided by Barcelo Corporation Empresarial SA. Accordingly the directors' believe that this guarantee provides continuing comfort to the Group to enable it to meet its obligations to the bank in respect of loan covenants. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

**Notes to the Financial Statements (continued)**  
**For the six months ended 30 June 2011**

**2. Prior period restatement**

In the six months ended 30 June 2010, the convertible preference shares, to the amount of £8,230,000, have been restated to remove them from non-controlling interest and include them within liabilities in line with IAS 32 “Financial Instruments: Presentation”. As part of the adjustment to the non-controlling interest, the percentage applied has been amended to reflect the actual percentage held and not the potential percentage, taking into account the full conversion of the preference shares, in line with IAS 27 “Accounting for subsidiaries”.

The impact of these restatements is to recognise the preference shares held outside the Group, of £8,230,000 as part of the non-current liabilities as at 30 June 2010, (see note 11). Consequently the non-controlling interest balance is amended by £10,015,000 as at 30 June 2010.

Losses attributable to the non-controlling interest is therefore increased by £1,413,000 for the year ended 30 June 2010 to reflect the movement in the balance sheet. There is no impact to the cash flow for the year ended 30 June 2010. These changes in the losses attributable to the non-controlling interests reduce the loss per share calculations for the year ended 30 June 2010 to 7.17p from 10.01p.

**3. Business and geographical segments**

The Group’s turnover, profit/(loss) before taxation and net assets are derived from its principal activity, the rental under an operating lease with Barcelo of its portfolio of hotels within the UK. The Board regularly receive information regarding the sole operating segment and therefore consider the results and performance disclosed in the financial statements is appropriate to comply with IFRS 8.

**4. 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, profit/(loss) before taxation and net assets are derived from its principal activity within the UK.

**Notes to the Financial Statements (continued)**  
**For the six months ended 30 June 2011**

**4. Revenue (continued)**

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

	<b>Six Months Ended (Unaudited)</b>				<b>Year Ended (Audited)</b>	
	<b>June 2011 Group £'000</b>	<b>June 2010 Group £'000</b>	<b>June 2011 Company £'000</b>	<b>June 2010 Company £'000</b>	<b>December 2010 Group £'000</b>	<b>December 2010 Company £'000</b>
<b>Continuing Operations</b>						
Property rental income from management agreements with Barceló Hotels and resorts	15,373	14,877	-	-	30,326	-
	15,373	14,877	-	-	30,326	-
Bond interest received	-	-	993	993	-	1,986
Preference share dividend	-	-	412	412	-	825
	<u>15,373</u>	<u>14,877</u>	<u>1,405</u>	<u>1,405</u>	<u>30,326</u>	<u>2,811</u>

**5. Group Tax on loss on ordinary activities**

During the 6 month period, there has been a decrease in the deferred tax liability of £2,913,000 (2010: £394,000). The reasons for the movement are set out below. It is to be noted that the corporation tax rate, and therefore the rate at which deferred tax is provided, reduced from 27% to 26% during the period:

	<b>£'000</b>
Effect of change in rate	1,354
Movement in tax base of balance sheet items	<u>1,559</u>
	<u>2,913</u>

**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.

**Notes to the Financial Statements (continued)**  
**For the six months ended 30 June 2011**

**6. Earnings per Share**

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

<b>Earnings : Company</b>	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>Six Months ended</b>		<b>Year ended</b>
	<b>30 June</b>	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
(Loss)/earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	1,313	1,298	2,591
<b>Earnings : Group</b>	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>Six Months ended</b>		<b>Year ended</b>
	<b>30 June</b>	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Earnings for the purposes of basic earnings per share being net profit/(loss) attributable to owners of the Company	3,572	(3,571)	(1,606)
<b>Number of Shares</b>	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>Six Months ended</b>		<b>Year ended</b>
	<b>30 June</b>	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	49,819,050	49,819,050	49,819,050

Diluted earnings have been calculated for the six months ended 30 June 2011 and 2010 and the year ended 31 December 2010, however the impact of the potential ordinary shares is non dilutive.

**7. Dividends**

16<sup>th</sup> March 2011 the Company declared a dividend of 2.6 per share. The dividend, which amounted to £1,295,295 was paid on 28 April 2011. The proposed interim dividend of 2.0p per ordinary share was approved by the Board on 29 September 2011 and has not been included as a liability as at 30 June 2011.

**.Notes to the Financial Statements (continued)**  
**For the six months ended 30 June 2011**

**8. Investment property : Group only**

	<b>30 June 2011 (Unaudited) £'000</b>	<b>30 June 2010 (Unaudited) £'000</b>	<b>31 December 2010 (Audited) £'000</b>
<b>Fair Value</b>			
At beginning of year/period	458,321	463,170	463,170
Additions	169	106	2,349
Disposals	-	-	(268)
Decrease in fair value during the year	-	-	(6,930)
	<u>458,490</u>	<u>463,276</u>	<u>458,321</u>

The fair value of the Group's investment property at 30 June 2011 has been arrived at on the basis of a valuation carried out at 31 December 2010 by Colliers Robert Barry & Co. Chartered Surveyors, independent valuers not connected with the Group. The investment properties have been valued at £455.6m. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. A further £2.8m has been included in the value in respect of assets excluded from the valuation lease to Barcelo; this is based on a PHP Directors Valuation. Annual rental income is earned on the investment property, see note 4.

**9. Investments**

**Company Investments**

	<b>(Unaudited) 30 June 2011 £'000</b>	<b>(Unaudited) 30 June 2010 £'000</b>	<b>(Audited) 31 December 2010 £'000</b>
Classified as:			
Investment at Fair Value	<u>46,778</u>	<u>46,778</u>	<u>46,778</u>
Bonds Held to Maturity	<u>16,550</u>	<u>16,550</u>	<u>16,550</u>
	<u><b>63,328</b></u>	<u><b>63,328</b></u>	<u><b>63,328</b></u>
Investments at Fair Value			
	<b>(Unaudited) 30 June 2011 £'000</b>	<b>(Unaudited) 30 June 2010 £'000</b>	<b>(Audited) 31 December 2010 £'000</b>
Fair value at start of period/year	46,778	46,778	46,778
Investments made during year/period	-	-	-
Decrease in fair value during period	-	-	-
	<u>46,778</u>	<u>46,778</u>	<u>46,778</u>

**Notes to the Financial Statements (continued)**  
**For the six months ended 30 June 2011**

**9. Investments (continued)**

The investment classified as 'fair value through profit and loss' at 30 June 2011 shown above includes an investment in convertible preference shares of £11,770,000.

It also includes a holding of 16,550,000 ordinary shares of £1 par value in Puma Hotels plc (PHP). These ordinary shares amount to 49.92% of the issued share capital of that company.

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 share.

Following a thorough review using the above method, the directors have concluded that there is no change in the fair value of the investment since 31 December 2010 and therefore the balance as at 30 June 2011 remains unchanged.

As described in note 8, for the purpose of preparing PHP's 30 June 2011 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 2010 as a basis for their assessment of the investment property carrying value. A further £2.8m has been included in the value in respect of the investment property based on a PHP Director's valuation.

The directors of Hotel Corporation plc have reviewed the assessment and the supporting independent valuation and PHP Director valuation to conclude on the investment property value in these consolidated financial statements and the Investment in Fair Value in the Company 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 to the preference shares.

	<b>30 June 2011 (Unaudited)</b>	<b>30 June 2010 (Unaudited)</b>	<b>31 December 2010 (Audited)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Bonds Held to Maturity</b>			
At start of period	16,550	16,550	16,550
Redeemed in Period	-	-	-
Amortisation of Discount	-	-	-
	<hr/>	<hr/>	<hr/>
At end of period	<u>16,550</u>	<u>16,550</u>	<u>16,550</u>

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%.

**Notes to the Financial Statements (continued)**  
**For the six months ended 30 June 2011**

**10. Fair Value of Interest Rate Swaps**

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial period.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

Outstanding receive floating pay fixed contracts	Notional principal value			Fair value		
	30	30	31	30	30	31
	June 2011 £'000	June 2010 £'000	December 2010 £'000	June 2011 £'000	June 2010 £'000	December 2010 £'000
Less than 1 year	182,345	182,345	182,345	(2,252)	(1,940)	(4,430)
1 to 2 years	182,345	182,345	182,345	(5,062)	(3,639)	(4,098)
2 to 5 years	150,000	313,477	150,000	(17,233)	(23,424)	(17,642)
				<u>(24,547)</u>	<u>(29,003)</u>	<u>(26,170)</u>

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

**11. Group Borrowings**

	30 June 2011 (Unaudited) £'000	(Note 2) Restated 30 June 2010 (Unaudited) £'000	31 December 2010 Audited £'000
Secured borrowing			
Bank loans	332,345	332,137	332,345
Accrued finance cost	(75)	-	(267)
Unsecured borrowing			
Bonds	16,600	16,600	16,600
	<u>348,870</u>	<u>348,737</u>	<u>348,678</u>
7% convertible preference share (note 2)	8,230	8,230	8,230

**Notes to the Financial Statements (continued)**  
**For the six months ended 30 June 2011**

**11. Group Borrowings (continued)**

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 6.7%. 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.

**12. Share Capital**

The total number of Ordinary Shares of £0.05 in issue and fully paid at 30 June 2011 was 49,819,050. During the six month period there has been no further issue of shares.

**13. Non controlling Interest**

	<b>(Note 2)</b>	<b>(Note 2)</b>
	<b>Restated</b>	<b>Restated</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 January	6,845	11,055
Share of profit/(loss) for the period/year	2,262	(4,885)
	<u>9,107</u>	<u>6,170</u>
Balance at period/year end	<u>9,107</u>	<u>6,845</u>

Included within the balance of non-controlling interest is the share of the results of the other Ordinary and Founder Shareholders of PHP; Preference Shareholders are excluded.

The rights attached to the Founder Shareholders result in them receiving a variable share of the profit or loss of PHP dependant on a certain level of reserves within PHP. There is no liability recognised for this at 30 June 2011.



**Notes to the Financial Statements (continued)**  
**For the six months ended 30 June 2011**

**14. Notes to the Statement of Cash Flows**

Reconciliation of Profit from Operations to Net Cash from Operating Activities.

**Group**

	<b>Six months ended</b>		<b>Year ended</b>
	<b>June 2011 (Unaudited) £'000</b>	<b>June 2010 (Unaudited) £'000</b>	<b>31 December 2010 (Audited) £'000</b>
Profit from Operations	13,708	13,079	20,094
(Increase)/Decrease in Receivables	(47)	11	1,186
Increase /(Decrease) in Trade and other payables	438	(205)	127
Amortisation of debt issue costs	-	-	383
Unamortised bank arrangement fee	192	192	-
Loss on change in fair value of investment property	-	-	6,930
Net cash inflow from operating activities	<u>14,291</u>	<u>13,077</u>	<u>28,720</u>

**Company**

	<b>Six months ended</b>		<b>Year ended</b>
	<b>June 2011 (Unaudited) £'000</b>	<b>June 2010 (Unaudited) £'000</b>	<b>31 December 2010 (Audited) £'000</b>
Profit from Operations	1,310	1,293	2,583
Decrease/(increase) in Receivables	3	3	(1)
(Decrease)/Increase in Trade and other payables	(13)	6	(1)
Net cash inflow from operating activities	<u>1,300</u>	<u>1,302</u>	<u>2,581</u>

Cash and cash equivalents (which are presented as a single class of assets on the face of the statement of financial position for both the Group and Company) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

**Notes to the Financial Statements (continued)**  
**For the six months ended 30 June 2011**

**15. Post Balance Sheet Events**

The Company declared an interim dividend of 2.0 pence per ordinary share on the issued share capital on 29 September 2011. The ex-dividend date will be 12 October 2011 and the record date 14 October 2011. Payment will be made to shareholders on 7 November 2011.

On 4 August 2011, Paramount Hotels Limited, a subsidiary of PHP, entered into an agreement with Premier Inn Hotels Limited and Whitbread Group Plc, in relation to a 107 bedroom Premier Inn Hotel in Harrogate.

**16. Immediate and Ultimate Controlling Party**

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

## Appendix to the Annual Report

### Puma Hotels Plc Interim Results 2011

The consolidated profit and loss account of Puma for the period ended 30 June 2011 together with the consolidated balance sheet and consolidated cash flow statement of Puma as at 30 June 2011 is provided below and have been prepared in accordance with applicable United Kingdom accounting standards. These are extracted from the interim financial report of Puma as at 30 June 2011. This additional information does not form part of the interim financial statements and is for information only.

#### Puma Hotels plc Consolidated Profit and Loss Account Six Months Ended 30 June 2011

	(Unaudited) Six months ended 30 June 2011 £'000	(Unaudited) Six months ended 30 June 2010 £'000	(Audited) Year ended December 2010 £'000
<b>TURNOVER</b>	15,373	14,877	30,326
Cost of sales	-	-	-
<b>GROSS PROFIT</b>	15,373	14,877	30,326
Other administrative expenses	(1,831)	(1,947)	(3,594)
Administrative expenses - exceptional (Deficit on revaluation of properties)	-	-	(386)
Total administrative expenses	(1,831)	(1,947)	(3,980)
<b>OPERATING PROFIT</b>	13,542	12,930	26,346
Interest receivable and similar income	23	24	33
Bank interest payable	(11,158)	(10,149)	(25,864)
Shareholder finance costs	(2,683)	(2,683)	-
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	(276)	122	515
Tax on (loss)/profit on ordinary activities	-	-	-
<b>RETAINED (LOSS)/PROFIT FOR THE FINANCIAL PERIOD</b>	(276)	122	515

**Puma Hotels plc**  
**Consolidated Balance Sheet**  
**As at 30 June 2011**

	(Unaudited) 30 June 2011 £'000	(Unaudited) 30 June 2010 £'000	(Audited) 31 December 2010 £'000
<b>Fixed assets</b>			
Intangible assets – Goodwill	7,179	7,700	7,440
Tangible assets	458,491	463,277	458,321
	<u>465,670</u>	<u>470,977</u>	<u>465,761</u>
<b>Current Assets</b>			
Debtors	357	1,485	308
Cash at Bank and in hand	9,886	8,954	9,477
	<u>10,243</u>	<u>10,439</u>	<u>9,785</u>
<b>Creditors amounts falling due within one year</b>	(14,572)	(13,780)	(14,121)
<b>Net current (liabilities)</b>	<u>(4,329)</u>	<u>(3,341)</u>	<u>(4,336)</u>
<b>Total assets less current liabilities</b>	461,341	467,636	461,425
<b>Creditors amounts falling due after more than one year</b>	(385,420)	(385,287)	(385,228)
<b>Provision for liabilities</b>	-	-	-
<b>Net assets</b>	<u>75,921</u>	<u>82,349</u>	<u>76,197</u>
<b>Capital and reserves</b>			
Called up share capital	1,658	1,658	1,658
Share premium account	32,137	32,137	32,137
Revaluation reserve	78,188	84,732	78,188
Profit and loss account	(36,062)	(36,178)	(35,786)
<b>Shareholders' funds</b>	<u>75,921</u>	<u>82,349</u>	<u>76,197</u>

**Puma Hotels plc**  
**Consolidated Cashflow statement**  
**Six Months ended 30 June 2011**

	<b>(Unaudited)</b> <b>Six months</b> <b>ended 30</b> <b>June 2011</b>  <b>£'000</b>	(Unaudited) Six months ended 30 June 2010  £'000	(Audited) Year ended 31 December 2010  £'000
<b>Net cash inflow from operating activities</b>	13,842	14,492	29,939
<b>Returns on investments and servicing of finance</b>			
Interest received	23	24	33
Interest paid	(13,287)	(14,145)	(26,853)
<b>Net cash outflow from returns on investments and servicing of finance</b>	(13,264)	(14,121)	(26,820)
<b>Taxation</b>			
Corporation tax paid	-	-	-
<b>Capital expenditure</b>			
Purchase of tangible fixed assets	(169)	(106)	(2,349)
Sale of tangible fixed assets	-	-	268
<b>Net cash outflow from capital expenditure and financial investment</b>	(169)	(106)	(2,081)
<b>Net cash inflow (outflow) before financing</b>	409	265	1,038
<b>Financing</b>			
Issue of preference share capital	-	-	-
Term loans repaid	-	-	-
Bonds repaid	-	-	-
New term loan issue costs	-	-	(250)
<b>Net cash outflow from financing</b>	-	-	(250)
<b>Increase/(decrease) in cash</b>	409	265	788