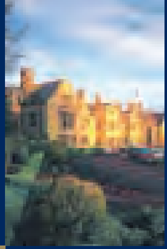
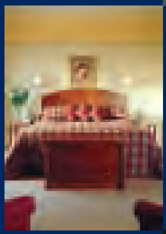
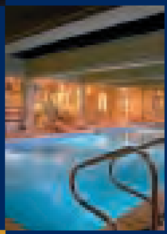
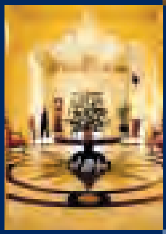
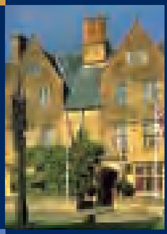
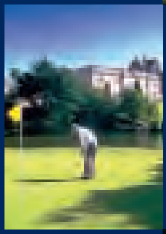
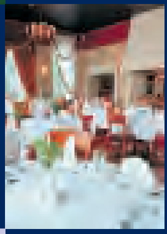
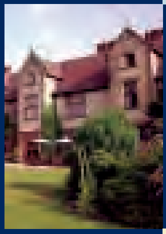
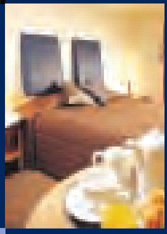
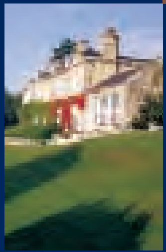
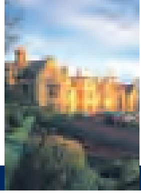
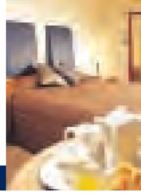











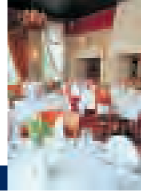
The Hotel Corporation plc

Annual Report and Financial Statements

for the year ended

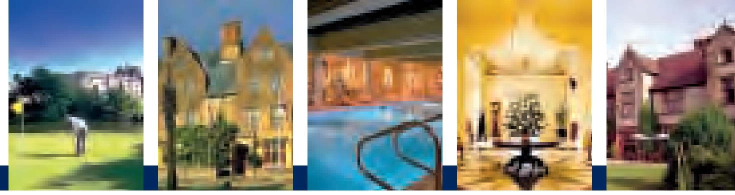
31 December 2008




Contents

The Lygon Arms.



Highlights

The Hotel Corporation plc

- Profit before movement in unrealised investments of £1.86m (2007: £2.5m).
- Final Dividend of 2.6p (2007: 4.5p), giving 5.3p for 2008 (2007: 7.2p).
- Net assets per share of 182p (2007: 246p).

Puma Hotels plc

- Agreement executed to extend the maturity of senior debt facility to 31 December 2012.
- Substantial increase in Operating Profit during 2008.
- Annual rent increased from £28m to £30m on 4 September 2008.

Barclay Douglas, Chairman of Hotel Corporation plc, said:

"I am pleased to see an agreement to extend the Puma senior debt facility until 31 December 2012 has been reached and your Board is supportive of the required forthcoming fundraising announced by Puma. We have also indicated that we will vote in favour of the proposal to extend the maturity of the Puma Bonds to the same date as the senior debt.

These events will bring clarity and stability to Puma's finances through to the end of 2012, in what continues to be a challenging Banking environment."

Chairman's Statement

I am pleased to report on the results for the twelve months ended 31 December 2008.

As the company's principal asset comprises its interest in Puma Hotels plc (Puma), this statement will focus both on the company's own results and then on those of Puma. The balance sheet of Puma as at 31 December 2008, income statement and consolidated cash flow statement of Puma for the period ended 31 December 2008 are also provided in this statement.

Results of the Company

Revenue for the year, including bank interest, was £2.07m (2007: £2.73m) and, following administrative expenses and interest but before unrealised gains and losses, profit amounted to £1.86m (2007: £2.50m). In addition, an investment loss amounting to £21.6m (2007: loss of £15.2m) arising from the measurement of the company's investment in the ordinary shares of Puma at their fair value, has been recognised in accordance with International Financial Reporting Standards. Including this investment loss, total loss before tax was £19.7m (2007: loss of £12.7m). No tax is payable for the period due to the zero income taxation provisions in the Isle of Man. Basic and diluted earnings per share were (57.0p) (2007: (36.5p)) including these investment losses, and 5.4p (2007: 7.2p) without them.

The Company's net asset value, as at 31 December 2008 is £1.82 (2007: £2.46) and the company has valued its shareholding in Puma on the basis of the net asset value of Puma as set out in that company's accounts. Puma's accounts, prepared under UK Generally Accepted Accounting Principles, include a valuation of its portfolio of 20 hotels of £483.5m. The valuation was carried out by Colliers Robert Barry & Co, third party independent valuers, as at 31 December 2008. The Puma net-asset value per share is 270p (2007: 400p per share), after allowing for the carried interest attributable to the Puma Founder shares. This compares with the price of 110p at which the Company last acquired shares in Puma in January 2005.

The audit report on Puma's accounts draws attention to the current state of the refinancing agreement with Anglo Irish Bank and, without qualifying their opinion in that regard, identifies its significance to the ongoing concern basis of preparation. Our auditors have highlighted the potential implications of this issue in their audit report without qualifying their opinion, as an emphasis of matter with regard to the fair value of the investment in Puma.

Dividend

The Company has proposed a final dividend of 2.6p per ordinary share (2007: 4.5p), making a total of 5.3p for the year (2007: 7.2p). The ex-dividend date will be 27 May 2009 and the record date 29 May 2009. Payment will be made to shareholders shortly after the Annual General Meeting on 26 June 2009. This amount reflects the profits for the year before investment gains and tax.

Prospects

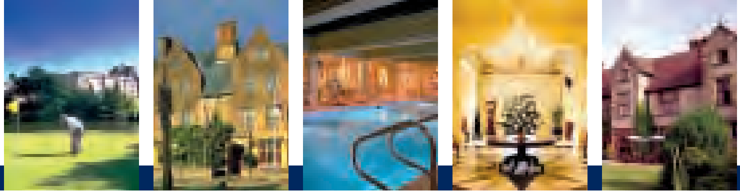
I am pleased to see an agreement to extend the Puma senior debt facility until 31 December 2012 and your Board is supportive of the accompanying fundraising announced by Puma. We have also indicated that we will vote in favour of the proposal to extend the maturity of the Puma Bonds to the same date as the senior debt. These events bring clarity and stability to Puma's finances through to the end of 2012, in what continues to be a challenging banking environment. During the coming weeks we will be contacting shareholders to support a fundraising by the Company in order to participate in the Puma financing.

Annual General Meeting

Notice convening the Annual General Meeting of The Hotel Corporation, to be held at Burleigh Manor, Peel Road, Douglas, Isle of Man, IM1 5EP, will be enclosed with the Company's report and accounts to be despatched to shareholders shortly. Included will be resolutions seeking shareholders' approval of the Company's investing strategy as required by AIM and for the repurchase of our own shares.

Barclay Douglas
Chairman

17 May 2009



Review of Operations and Financial Performance

Puma Hotels plc

Introduction

Following the granting of leases to Barceló Group ("Barceló") on 6 September 2007, the financial year which commenced 1 January 2008 represents the first full year of Puma Hotels plc ("PHP") trading solely as an owner of hotel property receiving income from property rents.

In the entering into these leases, PHP has become a property investment company specialising in hotels. Barceló is a leading Spanish hospitality group with substantial global hotel and other leisure related operations and, by leasing the properties, PHP has gained a secure and growing income stream from a blue chip tenant. The Board of PHP envisages that the Company's growth may in the medium term come not only from further development of the existing property portfolio, but also from acquiring additional hotel assets to which a similar approach can be applied. In the medium term, the Board believes that PHP's strategic alliance with Barceló will play an important part in the Company's growth. In the short-term, the guaranteed and escalating nature of the rental stream offered by Barceló brings greater stability to the Group.

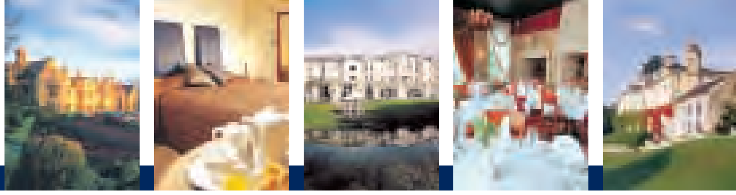
As announced on 24 July 2008, following the events at Dawnay, Day the Company terminated the engagement of Dawnay, Day Hotels Limited ("DDHL") under the Portfolio Management Agreement and with effect from 23 July 2008 engaged Shore Capital Limited to provide the services previously supplied by DDHL to the Company on the same terms. Howard Shore was appointed chairman of the Company and Jonathan Paisner appointed to the Board as a director. These new arrangements have proven to be very successful with significant progress made on key PHP relationships with our tenant, bankers and employees. The results of discussions with our lenders were announced on 14 May 2009 and are summarised later in this statement.

Financial Performance

PHP's results for 2008 reflect the changes in its business. As the transfer of the business became effective on 6 September 2007, the comparative numbers for 2007 up to this date represent results from when the Company traded as a hotel operator.

Turnover for 2008 of £28.5m comprises rent received from Barceló (2007: £77.0m being a combination of trading revenue from hotel operations and rent received from Barceló). Operating profit, before revaluation of properties, at £23.9m (2007: £11.1m) substantially increased, reflecting the benefit of the lease arrangements agreed with Barceló. This arises because PHP no longer bears the overhead of operating the hotel group. Moreover, PHP no longer needs to fund maintenance expenditure other than, as previously reported, that PHP has agreed, as part of the lease arrangements, to make a £10m contribution for capital works over the first 10 years of the lease. Of this, £2.9m has already been contributed in accordance with the agreement.

Cheltenham Park Hotel.



Review of Operations and Financial Performance continued

As discussed below, PHP has had the leased properties professionally revalued as at 31 December 2008 and, as a result, is now carrying its entire portfolio at a total value of £483.5m (2007: £531m). The overall reduction is caused by changes in the world financial markets and the consequent impact on property values. It should be noted that the structure of the lease deal with Barceló and the associated guarantees offered by this blue chip tenant have served to mitigate the decline in value. As part of the revaluation process, each individual property has been assigned a new value, in some cases eliminating the brought forward valuation surplus, hence leading to a charge to the profit and loss account of £3.3m (2007: £7.1m). This charge is a non-cash item which is shown as a "deficit on revaluation". The remainder of the revaluation amounts (a total deficit of £44.3m) have been taken against the valuation surplus in the balance sheet after which the 31 December 2008 balance of the revaluation reserve is £105.1m.

Net bank interest payable increased by £2.6m reflecting the aggregate increase in the total borrowings of the Company during 2008. Whilst during the first half of 2008, net bank interest increased year on year partly as a result of a rise in 3 month LIBOR, the execution of a SWAP on 16 September 2008 reduced the level of interest for the remainder of the year in comparison to the prior year. The result was that the average cost of bank debt during 2008 was the same as 2007 at 7.18%.

The combination of higher rental income from our tenant and lower interest costs from the SWAP agreements executed on 30 April 2009 (discussed in post balance sheet date events) will substantially improve the Company's financial position from now on.

Total interest payable also includes payments to bondholders of the Company's deep discounted bonds of £4m (2007: £4m). In total, Interest Payable and Similar Charges for the year amounted to £29.5m (2007: £29.2m) reflecting the fact that amortisation of bank loan issue costs during the year were only £0.7m (2007: £2.9m).

New Leases and Property Revaluation

The leases granted to Barceló place full repairing and insuring obligations on the tenant and provide guaranteed rental growth over the first four years; this is inflation-indexed thereafter and can also increase if hotel EBITDA performs well. The asset values on the balance sheet of PHP reflect these lease arrangements.

For the purpose of preparing its annual financial statements for 2008, PHP has had the property subject to these leases professionally valued by Colliers Robert Barry. This valuation of each property in the portfolio, which excludes land held for development and other assets not subject to the Barceló lease, is at £480m. The Board of PHP considers that the current value of the assets excluded from the lease is a further £3.5m.

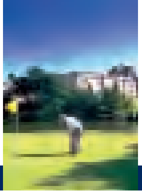
This new valuation is a reduction of £47m (9%) from the 31 December 2007 valuation and a £76m (14%) reduction from the valuation of £556m given in August 2007 immediately after the leases were granted. Compared to the reduction in property yields across the UK hotel sector during this time, these reductions have been mitigated by:

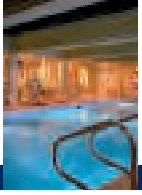
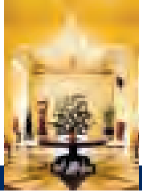
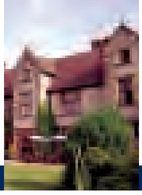
- The secure and growing rental income stream from the leases which included a £2m (7%) increase to £30m per annum from September 2008.
- The contracted rental income uplift from £30m to £31m in September 2010.
- The strength of the Barceló covenant and the attractive inflation-linking features (inflation link commences from September 2011).

Anglo Irish Bank Debt Facility Extension

As announced on 14 May 2009, the Company has signed an agreement with Anglo Irish Bank Limited ("Anglo Irish") to extend the term of its senior debt facility. This facility was due for repayment on 31 December 2009 but will now mature on 31 December 2012. In a volatile and difficult credit market, this extension by three years represents a key milestone in safeguarding the Company's financial position. The extension is subject to a reduction in the principal outstanding under the debt facility as outlined below:

- The facility is being reduced to £332.3m from its present ceiling of £350m (of which £347.5m is currently drawn). PHP expects to fund this reduction, together with associated costs, by raising an additional £20m in new equity from the Company's shareholders. To allow time for the fund-raising, currently under-way, the agreement is expected to take effect by 14 July 2009.
- Anglo Irish have agreed that there will be no further loan to value covenant testing for the duration of the facility (i.e. up to and including 31 December 2012). This provides significant certainty to shareholders in the current market.



Redworth Hall Hotel.

- The margin on the facility will increase from 1.75% to 2.5% from the Effective Date (see below). The extension is also subject to an arrangement fee of £1m.
- The maturity of the Company's outstanding shareholder bonds will be extended to 31 December 2012 to align it with the Bank facility, although approximately £2m of these bonds will, as previously scheduled, be redeemed on 30 June 2009. It is also intended to seek bond-holder approval to a listing of the outstanding bonds on the Channel Islands Stock Exchange and for the bonds thereafter to bear 12% interest, payable semi-annually. Irrevocable commitments to vote in favour of these proposals have already been received from 55% per cent of the bond-holders which is sufficient for approval to be passed.

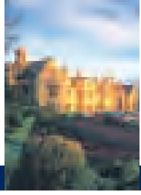
All variations to the loan agreement will become effective on the date on which the principal repayment is made (the "Effective Date") which is expected to be achieved by 14 July 2009.

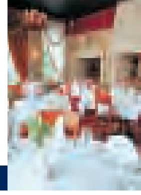
In preparing the statutory accounts, the Directors have considered the Group's cash flow forecasts for the period to the end of June 2010 and the Company's financial resources. After making enquiries, the Board is satisfied that the Group's forecasts and projections taking account of the extension of the facility as above and associated fund-raising currently in progress – show that the Group will have adequate resources to continue its operations for the foreseeable future. For this reason the Group continues to adopt the going concern basis in preparing its financial statements.

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. This programme is expected to continue in the medium term and at present PHP has the potential to add over 800 rooms (over 25 per cent of the current estate) of which 370 rooms have already received the necessary planning or listed building consent. There are also schemes for 2,500 sq.m (over 60 per cent of which has planning consent) of additional meeting rooms and upgrades for several leisure clubs. The economics of adding these rooms can be highly attractive for both parties. 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 will add significantly to net asset value over time.

In order to realise these development plans PHP continues to monitor and protect planning permissions already granted.




Review of Operations and Financial Performance continued

Imperial Hotel, Torquay.

Strategy and Plans

Having concluded the leases with Barceló, PHP has transformed its financial position. The effect is to increase PHP's net cashflow before interest as PHP no longer bears the overhead costs of operating the hotel group nor (other than the agreed contribution) funds maintenance expenditures. Cashflow will grow further in subsequent years according to the leases' formula and is supported by Barceló's strong covenant rather than being dependent on the potential cyclicality of the hotel business.

This new operating structure has meant that the Group is better able to withstand the effects of the economic downturn brought about by the deterioration in the global financial markets. Whilst the value of the Group's assets reflects some of the reduction in investment yields, cashflow has increased. The signing of the agreement with Anglo Irish to extend the maturity date of the senior debt to 31 December 2012 represents a significant milestone for the Group.

In the medium term, there is also the opportunity to unlock significant value by executing the Group's development plans and consider selective asset disposals as and when the investment market recovers. The Board considers that once 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. The extended maturity of the senior debt provides the flexibility to optimise the potential returns to shareholders with the intention of liquidating assets and returning capital to investors prior to the new maturity of the senior debt and shareholder bonds. The asset management contract with Shore Capital has also been extended to 31 December 2012 to coincide with the investment programme.

Post balance sheet date events

As announced on 14 May 2009, and summarised earlier in this statement, the Group has signed an agreement with Anglo Irish to extend the maturity date of the senior debt facility in place from Anglo Irish to 31 December 2012.

The Company executed three interest rate SWAP agreements on 30 April 2009. These SWAP agreements relate to a principal amount of £182.3m and commence on 31 December 2009 when the current SWAP arrangement relating to this amount expires. The profile of these SWAPS is as follows:

31 December 2009 to 31 December 2010: 2.230%

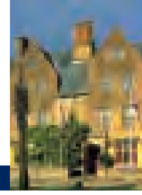
31 December 2010 to 31 December 2011: 3.330%

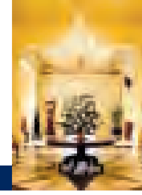
31 December 2011 to 31 December 2012: 3.945%

The remaining £150 million of the facility is already subject to an interest rate SWAP agreement at a rate of 5.145%.

Prospects

The Company is well-placed to protect and grow value for shareholders. It has an attractive portfolio of assets which are let to a progressive tenant with a strong covenant. Cashflow will progressively improve and the Company is well placed to exploit any recovery in investment values and pick-up in inflation.




Investment Property Overview

* Barceló Premium Hotels

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

CENTRAL ENGLAND

1. Barceló Billesley Manor Hotel, Nr. Stratford*
2. Barceló Cheltenham Park Hotel
3. Barceló Daventry Hotel
4. Barceló Hinckley Island Hotel
5. Barceló Oxford Hotel
6. Barceló Buxton Palace Hotel
7. Barceló Walton Hall Hotel & Spa, Warwickshire*+
8. Barceló The Lygon Arms, Cotswolds*

NORTHERN ENGLAND

9. Barceló Blackpool Imperial Hotel
10. Barceló Harrogate Majestic Hotel
11. Barceló Redworth Hall Hotel, Co. Durham*
12. Barceló Shrigley Hall Hotel, Cheshire*

SCOTLAND

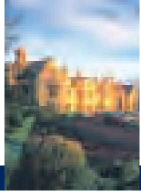
13. Barceló Edinburgh Carlton Hotel
14. Barceló Troon Marine Hotel*
15. Barceló Stirling Highland Hotel

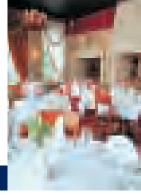
SOUTHERN ENGLAND

16. Barceló Combe Grove Manor, Bath*
17. Barceló Basingstoke Country Hotel
18. Barceló Torquay Imperial Hotel
19. Barceló Brighton Old Ship Hotel

WALES

20. Barceló Cardiff Angel Hotel




Directors' Biographies

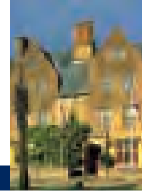
Barclay Douglas LLB CA (age 53)
Barclay operates as a professional non-executive Director for both public and private companies and is also an active investor in private companies.

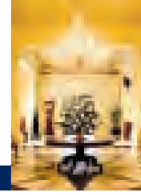
He was previously an executive Director of the private equity divisions of Murray Johnstone and Mercury Asset Management and has over 10 years' experience in the industry. During that time he represented investors on the boards of several public and private companies including Luminar plc, Britt Allcroft plc, and the Stationary Office (formerly HMSO).

He is a Chairman of Parallel Options and Cascade Care Group and is a non-executive Director of Shore Capital Group plc.

Derek Short FCIB MSI FinstD (age 66)
Derek has had a successful career within financial services, latterly as Managing Director and owner of English and Continental Trust Company Limited, a company engaged in banking, company and trust management services based in Jersey, which was sold to Citco Group in 1999. Previously, he was Managing Director of Hambros Bank Jersey Limited, a Director of Hambros Bank Gibraltar and Hambros Channel Islands Trust Corporation Limited until December 1987 and then Managing Director of Trident Trust Company Jersey Limited and Trident Trust Company IOM Limited before founding English and Continental Trust Company Limited in 1989.

David Craine FCA JP (age 54)
A former Chairman of the Isle of Man Society of Chartered Accountants, David is a founding member and Director of Peregrine Corporate Services Limited. A born and bred Manxman, David is also a Director in the Isle of Man firm of Browne Craine Associates Limited, an accountancy practice he founded with Maurice Singer in 1982. This firm being the successor to a long established and highly regarded local practice that was absorbed into the new partnership. David was also the Finance Director and Company Secretary of Webis Holdings plc formerly Betinternet.com plc which is an AIM listed company.




Directors' Report

The Directors present their annual report and the audited financial statements for the year to 31 December 2008.

Principal Activity

The principal activity of the Company is to invest in businesses within the hotels sector in the United Kingdom.

Business Review

A review of the business of the Company, including a list of the principal risks and uncertainties facing the Company, is set out in the Chairman's Report on page 2.

Details of significant events since the balance sheet date being dividends proposed are contained in note 18 to the financial statements.

Results and Dividends

During the year the Company made a loss of £19,743,000 (2007 loss of £12,653,000) which has been transferred from reserves. Dividends paid of £2,492,571 (2007: £2,492,571) are detailed in Note 9.

Directors

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

			Appointed
J. B. Douglas	Chairman	Non-Executive	14 Jun 04
D. W. Short		Non-Executive	14 Jun 04
D. P. Craine		Non-Executive	27 Jan 05

Barclay Douglas retires by rotation at the next Annual General Meeting and, being eligible, offers himself for re-election.

Directors' Interests

The following Directors who held office at 31 December 2008 had interests in the shares of the Company

Ordinary Shares of 5p	31 December 2008		31 December 2007	
Director	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
Barclay Douglas	**107,739**	**–**	107,739	–
Derek Short	**10,000**	**–**	10,000	–
David Crane	**5,500**	**–**	5,500	–

There was no change in these holdings between 31 December 2008 and 6 May 2009.

Substantial Shareholdings

On 6 May 2009 the Company had been notified of the following interests in the ordinary share capital of the Company.

Name of Holder	Number	Percentage Held
Nortrust Nominees Limited	9,249,188	26.71
Pershing Nominees Limited	7,577,923	21.88
Chase Nominees Limited	4,599,186	13.29
Bank of New York (Nominees) Limited	3,009,381	8.69
HSBC Global Custody Nominee (UK) Limited	2,844,094	8.22

Going Concern

The company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Chairman's Statement, together with the Operational and Financial Review of Puma Hotels plc, which follows that statement, and Risk Management Policies set out in Note 13.

As the Company's major investment is made in Puma Hotel plc, going concern of the Company is clearly affected by the performance and results of that investment and as such we repeat below the whole of the Going Concern note contained in the financial statements of Puma Hotels plc as at 31 December 2008 –

"On 13th May 2009 the Company signed an agreement with Anglo Irish Bank Limited ("AIB") to extend the term of its senior debt facility. This facility was due for repayment on 31 December 2009 but will now mature on 31 December 2012. The extension is subject to a reduction in the principal outstanding under the debt facility as outlined below:

- The facility will be reduced to £332.3m from its present ceiling of £350m (of which £347.5m is currently drawn). The Company expects to fund this reduction, together with associated costs, by raising an additional £20m in new equity from the Company's shareholders. The Directors consider that the fund-raising should be completed over the next few weeks and therefore the agreement is expected to take effect by 30 June 2009.

Directors' Report continued

- AIB have agreed that there will be no further loan to value covenant testing for the duration of the facility (i.e. up to and including 31 December 2012). This provides significant certainty to shareholders in the current market.
- The margin on the facility will increase from 1.75% to 2.5% from the Effective Date (as stated above this is expected to be 30 June 2009). The extension is also subject to an arrangement fee of £1m.

The Directors have considered the Group's cash flow forecasts for the period to the end of June 2010. The Directors have concluded that given current market conditions the need to raise new capital represents a material uncertainty that casts significant doubt on the Group's forecasts and projections – taking account of the extension of the facility as above and associated fund-raising currently in progress – show that the Group will have adequate resources to continue its operations for the foreseeable future. For this reason the Group continues to adopt the going concern basis in preparing its financial statements."

Because of the positive going concern statement by Puma Hotels plc, together with the Company's own cash resources, being sufficient for its own activities, we continue to adopt the going concern basis in preparing the annual report and accounts.

Auditors

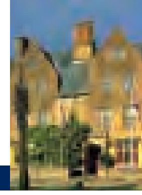
Deloitte & Touche, the Company's auditors, have expressed a willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

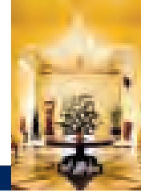
Registered Office

Burleigh Manor
Peel Road
Douglas
Isle of Man
IM1 5EP

By Order of the Board

David P. Craine F.C.A.
Company Secretary




Corporate Governance Statement

The Board of Directors are aware of the principles of corporate governance contained in the Combined Code on Corporate Governance.

Although the Company's shares have been admitted on to the Alternative Investment Market and the Company is not required to comply with the Combined Code, the Board monitors the Company's established procedures and continues, as far as possible, to comply with the Code to the extent that it is appropriate for the size and stage of development of the Company. Therefore, the directors have chosen to give selected disclosures that they believe are necessary/valuable to readers.

The Board comprises three non-executive Directors and is collectively responsible for all matters of good governance, and audit and remuneration committees will only be established by the Board if the Company's activities expand to the extent where the collective responsibility of the Board is more appropriately served by the establishment of such committees.

Internal Control

Accounting, administration and company secretarial services are provided to the Company by Peregrine Corporate Services Limited (PCS). PCS are a licensed Corporate Service Provider regulated by the Isle of Man Financial Supervision Commission.

Relations with Shareholders

The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place. The Chairman together with the Company's Nominated Advisers undertakes this function and reports back to the Board.

Directors' Remuneration

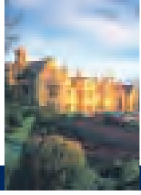
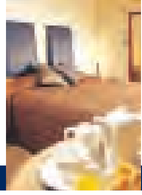
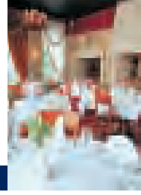
All Board members are non-executive Directors. Fees paid in the year are disclosed below.

	2008 £'000	2007 £'000
Barclay Douglas (Chairman)	**35**	31
Donald Adamson (Resigned 1st June 2007)	**–**	21
Derek Short	**23**	21
David Craine	**10**	3
Irrecoverable Value Added Tax	**6**	5
Total	**74**	81

All Directors are reimbursed for necessary travelling and subsistence costs incurred in attending Board and other meetings.

The Company has no share option or pension schemes.

Other than as disclosed above no other emoluments, incentive schemes or compensation for loss of office has been paid to any Director

Statement of Directors' Responsibilities

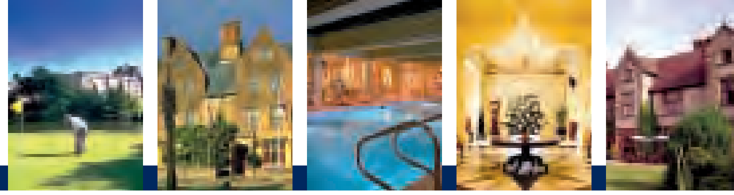
The directors are responsible for preparing the Annual Report and financial statements. The directors have elected to prepare financial statements of the Company in accordance with International Financial Reporting Standards ("IFRS"). Isle of Man company law requires the directors to prepare such financial statements in accordance with relevant accounting standards and the Companies Acts 1931 to 2004.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's position, financial performance and cash flows. This requires the faithful representation of the effects of the transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standard's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting standards;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business; and
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for the system of internal control, for safeguarding assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Acts 1931 to 2004.

The directors are responsible for the maintenance and integrity of any company website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Independent Auditors' Report to the Members of The Hotel Corporation plc

We have audited the financial statements ("the financial statements") of The Hotel Corporation Plc for the year ended 31 December 2008, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the financial statements have been properly prepared in accordance with the Companies Acts 1931 to 2004. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements. We also report to you if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs at 31 December 2008 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1931 to 2004.

Emphasis of matter – Fair value of investment in Puma Hotels plc

In forming our opinion on the financial statements which is not qualified, we have considered the fair value of the Company's investment in the ordinary shares of Puma Hotels plc.

The financial statements of Puma Hotels plc for the year ended 31 December 2008 included an emphasis of matter paragraph which drew attention to the following matters relating to going concern as at 31 December 2008:

"In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The group has signed an agreement extending the maturity of its senior debt facility to 31 December 2012. The agreement is subject to a reduction of the principal amount of the drawn facility by £15m. The Company expects to raise £20m of new equity to repay this part of the outstanding amount on its facility. These conditions, as explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern."

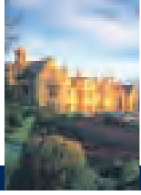
We draw your attention to the valuation of the Company's investment in Puma Hotels plc which is valued on the basis that Puma Hotels plc successfully concludes its refinancing with AIB including the raising of further equity funding and the deferral of bond finance.

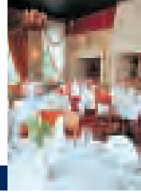
Deloitte & Touche
Chartered Accountants
Douglas
Isle of Man

17 May 2009

Notes: An audit 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 statements 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 and dissemination of financial statements differs from legislation in other jurisdictions.



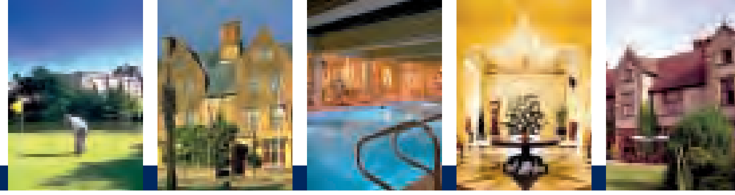

Income Statement

31 December 2008

	Notes	2008 £'000	2007 £'000
Continuing Operations			
Revenue	4	**1,986**	2,615
Administrative expenses		**(215)**	(226)
Profit from operations	7	**1,771**	2,389
Bank interest receivable	5	**88**	111
Investment losses – unrealised	5	**(21,602)**	(15,153)
Loss before tax		**(19,743)**	(12,653)
Taxation	8	**–**	–
Loss after tax for the year from continuing operations		**(19,743)**	(12,653)

Earnings Per Share		2008	2007
Basic and diluted	10	**(57.0p)**	(36.5p)

Dividends		2008 £'000	2007 £'000
Paid	9	**2,493**	2,493
Proposed	18	**900**	1,558



Balance Sheet

31 December 2008

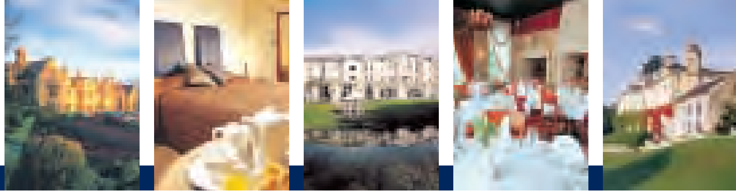
	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
ASSETS					
Non-Current Assets					
Investments	11		**61,221**		82,823
Current Assets					
Trade and Other Receivables	12	**11**		10	
Cash and Cash Equivalents	20	**1,697**		2,332	
			1,708		2,342
Total Assets			**62,929**		85,165
EQUITY & LIABILITIES					
Capital & Reserves					
Share Capital	14		**1,731**		1,731
Share Premium Account	15		**–**		33,300
Retained Earnings			**61,170**		50,106
Total Shareholders Funds			**62,901**		85,137
Current Liabilities					
Trade and Other Payables	16		**28**		28
Total Equity & Liabilities			**62,929**		85,165
Net Asset Value per Share			**182p**		246p

The financial statements were approved by the Board of Directors and authorised for issue on 17 May 2009.

They were signed on its behalf by:

Barclay Douglas
Director

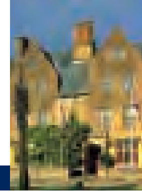
David Craine
Director

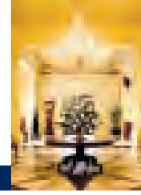


Statement of Changes in Equity

31 December 2008

	Note	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total £'000
Balance at 31 December 2006		**1,731**	**33,300**	**65,252**	**100,283**
Loss for Year		–	–	(12,653)	(12,653)
Dividend		–	–	(2,493)	(2,493)
Balance at 31 December 2007		**1,731**	**33,300**	**50,106**	**85,137**
Loss for Year		–	–	(19,743)	(19,743)
Dividend	9	–	–	(2,493)	(2,493)
Transfer of Share Premium	15	–	(33,300)	33,300	–
Balance at 31 December 2008		**1,731**	**–**	**61,170**	**62,901**

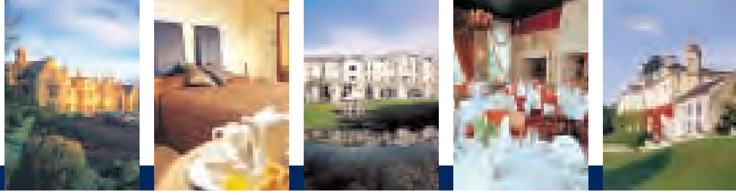






Cash Flow Statement

31 December 2008

	Notes	2008 £'000	2007 £'000
Net Cash Inflow/(Outflow) From Operating Activities	17	**(216)**	407
Investing Activities			
Interest Received		**88**	111
Proceeds received on the maturity of Investments		**1,986**	1,986
Net cash from Investing Activities		**2,074**	2,097
Financing Activities			
Dividends Paid		**(2,493)**	(2,493)
Net cash used in Financing Activities		**(2,493)**	(2,493)
Net (decrease)/increase in cash and cash equivalents		**635**	11
Cash and cash equivalents at beginning of year		**2,332**	2,321
Cash and cash equivalents at end of year		**1,697**	2,332



Notes to the Financial Statements

31 December 2008

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 33. The nature of the Company's operations and its principal activities are set out in the Directors' Report on pages 9 and 10 and the Chairman's Statement on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. Significant Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements have been prepared on the historical cost basis, modified by the revaluation of Investments classified as Fair Value through Profit or Loss. The principal accounting policies adopted are set out below.

Capital Management Policies

The Company manages its capital to ensure that it will be able to settle its liabilities as they fall due. The capital structure of the Company consists of cash and cash equivalents, as disclosed in note 2, and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings are as disclosed on page 18.

The Company is not subject to externally imposed capital requirements.

Financial Risk Management Policies

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

These policies are as disclosed in detail in note 13 which presents information about the Company's exposure to each of the above risks, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

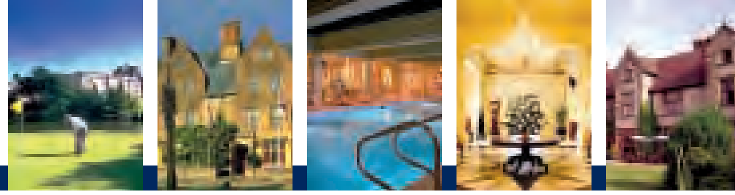
Adoption of New and Revised Standards

The following interpretations are effective in the current period:

Five interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 11: IFRS 2 – Group and Treasury Share Transactions, IFRIC 12: Service Concession Arrangements, IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their interaction. The adoption of these interpretations has not led to any changes in the Company's accounting policies.

Early Adoption of Standards and Interpretations

The Company has not early adopted any standards or interpretations.



2. Significant Accounting Policies continued

Accounting Standards and Interpretations Issued but not yet Effective
The following Standards and Interpretations are also in issue but not yet effective:

IFRS 8 Operating Segments
IAS 23 (Revised March 2007) Borrowing Costs
IAS 1 Presentation of Financial Statements (Revised September 2007)
IFRS 3 Business Combinations (Revised January 2008)
IAS 27 Consolidated and Separate Financial Statements (Revised January 2008)
IFRS 2 Vesting Conditions and Cancellations
IAS 32 and IAS 1 Puttable Financial Instruments and Obligations arising on Liquidation
IAS 39 Eligible Hedged Items
IAS 39 and IFRS 7 Reclassification of Financial Assets
IFRS 1 First-time Adoption of Financial Reporting Standards (Revised November 2008)

IFRIC 15 Agreements for the Construction of Real Estate
IFRIC 17 Distributions of Non-Cash Assets to Owners
IFRIC 18 Transfers of Assets from Customers

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no impact on the financial statements, except for the provisions of IAS 1.

Revenue Recognition
Bank interest is accounted for on an accruals basis.

In the case of investments in bonds issued at a significant discount to their maturity value, the discount is amortised over the period to maturity of the bond at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Investments
Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost.

Held to Maturity Investments
At subsequent reporting dates, bonds that the company has expressed intention and ability to hold to maturity are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Amortisation and impairment is taken to the Income Statement for the year.

Other Investments
Other investments are designated as Fair Value through Profit or Loss and are measured at subsequent reporting dates at their fair value. For investments designated as Fair Value through Profit or Loss Investments, gains and losses arising from changes in fair value are included in the income statement for the year. Fair Value is considered to be the Company's share (49.92%) of the net assets of Puma Hotels plc as at 31 December 2008 less any allowance for the interest of Founder Shareholders in Puma.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash on hand or 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 change of value.

Financial Instruments
Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Notes to the Financial Statements continued

31 December 2008

2. Significant Accounting Policies continued

Trade Receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade Payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Use of Estimates

The preparation of the Company's financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies at the date of the Company's financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates in the Company's financial statements include the amounts recorded for the fair value of the investments. By their nature, these estimates and assumptions are subject to measurement uncertainty and the effect on the Company's financial statements of changes in estimates in future periods could be significant.

3. Critical Judgements in Applying the Company's Accounting Policies

In the process of applying the Company's accounting policies, which are described in Note 2, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Fair Value of Investments

Note 11 sets out in detail the method by which fair value is attributed to the Company's investment in ordinary shares in Puma Hotels plc.

4. Revenue

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

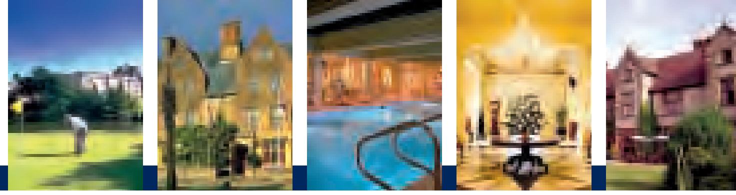
	2008 **£'000**	2007 £'000
Amortisation of discount on investments (note 11)	**1,986**	1,986
Dividends Received	**–**	629
	1,986	2,615

5. Investment Income

	2008 **£'000**	2007 £'000
Bank Interest	**88**	111
Investment losses (unrealised) (note 11)	**(21,602)**	(15,153)
	(21,514)	(15,042)

6. Business and Geographical Segments

The directors consider that there is only one business segment being investment in equities, bonds, and other instruments issued by the hotel sector. All this activity is carried out in the British Isles.



7. Profit from Operations

	2008 £'000	2007 £'000
Profit from operations has been arrived at after charging:		
Directors' fees	**74**	81
Auditors' remuneration – audit services – current year	**25**	26
– non audit services	**5**	–

The Company has had no employees in 2008 and 2007.

8. Taxation

The Income Tax (Amendment) Act 2006 provides that a standard zero rate of income tax will apply to the Company for 2006/07 and subsequent years of assessment. Therefore no provision for liability to Manx income tax has been included in these financial statements.

9. Dividends

On 29 April 2008 the Company announced a dividend of 4.5 pence per share in respect of the year to 31 December 2007. The dividend, which amounted to £1,557,857 was paid on 16 June 2008.

The Company declared an interim dividend of 2.7 pence per ordinary share on 26 September 2008. The dividend which amounted to £934,714 was paid on 31 October 2008.

A final dividend of 2.6p pence per share has been proposed (Note 18).

10. Earnings per Share

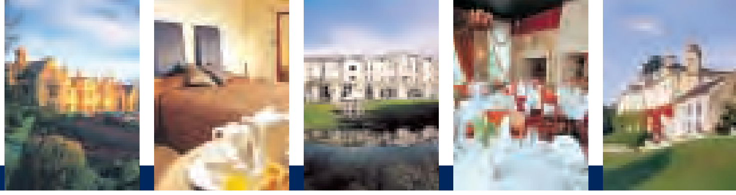
	2008	2007
Basic and Diluted Earnings per Share	**(57.0p)**	(36.5p)
This comprises:		
Basic and diluted earnings per share from operations and bank interest	**5.4p**	7.2p
Basic and diluted earnings per share from investment losses	**(62.4p)**	(43.7p)

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

	2008 £'000	2007 £'000
Earnings		
Profit from Operations	**1,771**	2,389
Bank Interest	**88**	111
	1,859	2,500
Investment Losses	**(21,602)**	(15,153)
Net Loss for Year	**(19,743)**	(12,653)

	2008	2007
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**34,619,050**	34,619,050

There were no convertible instruments in existence as at 31 December 2008 and therefore diluted earnings per share do not differ from the basic earnings per share.



Notes to the Financial Statements continued

31 December 2008

11. Investments

Classified as:	2008 £'000	2007 £'000
Fair Value through Profit or Loss Investments	**44,671**	66,273
Held to Maturity	**16,550**	16,550
	61,221	82,823

Fair Value through Profit or Loss Investments

	2008 £'000	2007 £'000
Unlisted Investments at Fair value		
Fair value at start of Year	**66,273**	81,426
Decrease in fair value (note 5)	**(21,602)**	(15,153)
Fair Value at 31 December	**44,671**	66,273

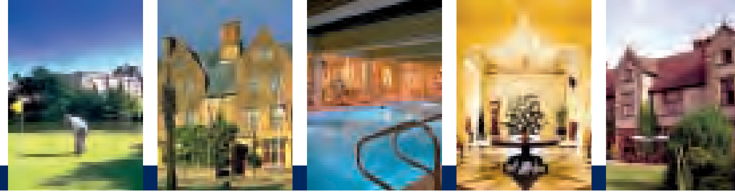
The unlisted investment shown above represents a holding of 16,550,000 ordinary shares of £1 par value in Puma Hotels plc, which comprises 49.92% of the issued share capital of that company, which is incorporated and registered in the United Kingdom. The investment is accounted for as an equity investment as the Company does not exert a controlling influence on Puma. Investments in the ordinary shares of Puma held at the balance sheet date are measured at their fair value.

In determining the fair value attributable to the ordinary shares in Puma, the Directors have drawn upon the net asset value of Puma as set out in the financial statements of that company and have utilised that net asset value for each ordinary share held in Puma by the Company, making an appropriate adjustment for the carried interest attributable to the founder shares in Puma (as defined in the Hotel Corporation plc prospectus issued on 9 July 2004). The financial statements of Puma include an external valuation of the freehold and long leasehold properties, subject to and with the benefit of the leases granted to Barcelo, performed by Colliers, Robert Barry & Co, Chartered Surveyors as at 31 December 2008. In arriving at the fair value of Puma's net assets, the Directors have considered the incidence of any future UK taxation from the disposal of the re-valued properties as unlikely due to the implementation of tax efficient disposal strategies.

Any resultant gain or loss in the value of the Company's equity investment in Puma is recognised in the Income Statement.

Investments held to maturity

	2008 £'000	2007 £'000
Cost and net book value		
At start of Period	**16,550**	16,550
Additions	**–**	–
Amortisation of discount (note 4)	**1,986**	1,986
Matured during year	**(1,986)**	(1,986)
At 31 December	**16,550**	16,550



11. Investments continued

The investments included above represent unlisted investments in unsecured deep discount bonds issued by DSH (Finance) plc, a subsidiary of Puma Hotels plc, maturing at nominal value over a period of 5 years. The bonds have a coupon rate of nil percent.

The maturity profile of the bonds held at 31 December 2008 is shown below:

	Nominal Value	
	2008 £'000	2007 £'000
Maturing		
Within one year	**17,543**	1,986
One to two years	**–**	17,543
Two to three years	**–**	–
Total	**17,543**	19,529

12. Trade and Other Receivables

	2008 £'000	2007 £'000
Prepayments	**9**	10
Receivables	**2**	–
	11	10

The Directors consider that the carrying amount of trade and other receivables approximates to their Fair Value.

13. Risk Management Policies

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meets its contractual obligations, and arises principally from the Company's investments.

The Company's principal financial assets are bank balances and cash, trade and other receivables and investments, which represent the Company's maximum exposure to credit risk in relation to financial assets, other than investments. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company's credit risk is primarily attributable to its investments in Puma Hotels plc ("Puma") and its subsidiaries, details of which are disclosed in Note 11 of the financial statements.

Liquidity Risk

Liquidity risk is that the Company will not be able to meets its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company maintains sufficient levels of cash to meet its on going liabilities as they fall due.

The majority of the Company's assets are invested in unlisted investments. The market for the investments that the Company has invested in is not considered to be highly liquid. However trades of such investments do take place from time to time. Cash balances are maintained to ensure that the Company is able to meet expenses.

Notes to the Financial Statements continued

31 December 2008

13. Risk Management Policies continued

Market Risk

Market risk is the risk that changes in foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

- Interest rate risk

The Company is exposed to interest rate risk as a result of placing short-term fixed deposits with financial institutions. The Company does not enter into any derivative transactions to mitigate this risk as it believes that the short-term maturity profile for deposits offers sufficient protection.

The Company maintains the majority of cash balances within short-term fixed rate deposits. The deposit rates offered by banking institutions fluctuate on an on going basis, reacting to changes in the market. The interest recognised on such instruments fluctuates with changes in market rates.

The Company has effectively fixed the majority of its interest rate risk by investing in deep discount bonds. These bonds have a coupon rate of nil percent.

- Other price risk

The Company has a concentrated market risk exposure to the performance of a particular hotel group which is exposed to market changes within the hotel market in the British Isles.

For further analysis of the Company's Risk Management Policies refer to note 20.

14. Share Capital

	2008 Number	2008 £'000	2007 Number	2007 £'000
Authorised: Ordinary Shares of £0.05				
As at 31 December	**80,000,000**	**4,000**	80,000,000	4,000

	2008 Number	2008 £'000	2007 Number	2007 £'000
Issued: Ordinary Shares of £0.05				
Balance at Start of Year	**34,619,050**	**1,731**	34,619,050	1,731
As at 31 December	**34,619,050**	**1,731**	34,619,050	1,731

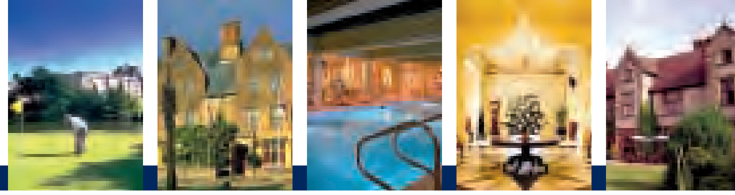
The Company has one class of ordinary shares which carry no right to fixed income.

15. Share Premium Account

On 11 August 2008 an application to the Isle of Man High Court was approved confirming the cancellation of the Company's Share Premium Account with the balance being credited to the Company's Distributable Reserves.

16. Trade and Other Payables

Trade and other payables principally comprise amounts outstanding for ongoing costs. The directors consider that the carrying amount of trade payables approximates to their Fair Value.



17. Notes to the Cashflow Statement

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

	2008 £'000	2007 £'000
Profit from Operations	**1,771**	2,389
Increase in Receivables	**(1)**	–
Increase in Trade and other payables	**–**	4
Amortisation of Discount on Purchase of investments	**(1,986)**	(1,986)
Net cash outflow/(inflow) from operating activities	**(216)**	407

Net cash (outflows)/inflows from operating activities includes cash from dividends received of £ Nil (2007: £629,000) (note 4).

18. Events after the Balance Sheet Date

On 17 May 2009 the Company declared a dividend of 2.6p pence per share. The ex-div date will be 27 May 2009 and a record date of 29 May 2009. Payment will be made to shareholders on 3 July 2009.

The Company has given an irrevocable undertaking to vote in support of the extension of the Puma bonds to 31 December 2012.

19. 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 who are the key management personnel, is set out below:

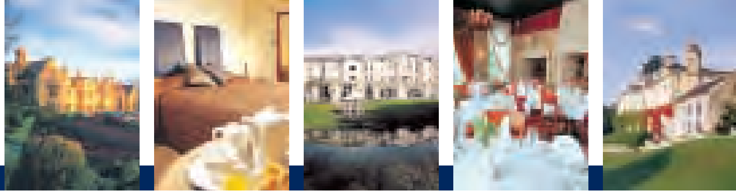
	2008 £'000	2007 £'000
Short-term employee benefits – directors fees	**74**	81
Post employment benefits	**–**	–
Other long-term benefits	**–**	–
Termination benefits	**–**	–
Share based payments	**–**	–
Total	**74**	81

Barclay Douglas is a non-executive director of Shore Capital Group plc who act both as Nominated Advisers and Stockbrokers to the Company, and to whom fees including VAT amounting to £23,500 (2007: £23,500) in respect of acting as Nominated Adviser were paid during the year.

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 £31,050 (2007: £32,113) 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.



Notes to the Financial Statements continued

31 December 2008

20. Financial Exposures

The following disclosures related to the Company's financial exposure to each of the risks identified in note 13.

a) Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2008 £'000	2007 £'000
Cash and cash equivalents	**1,697**	2,332
Fair value through profit or loss investments	**44,671**	66,273
Held to maturity investments	**16,550**	16,550
	62,918	85,155

Cash and cash equivalents

Based on past experience, the Company believes that no impairment allowance is necessary in respect of financial assets held with financial institutions, as the financial institutions all have high credit ratings.

Fair value through profit or loss investments

The balance consists of investments in the ordinary shares of Puma Hotels plc ("Puma") designated at fair value through profit or loss and are equity securities that otherwise would have been classified as available-for-sale.

Held to maturity investments

The balance consists of investments held to maturity, maturing at nominal value over a period of 5 years.

None of the investments are considered by management to be past due or impaired.

b) Exposure to liquidity risk

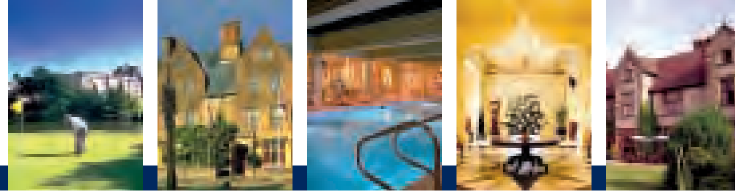
The following are the contractual maturities of financial liabilities:

31 December 2008

	Carrying amount £'000	**3 months or less**	**3 – 12 months**	**Greater than 12 months**	**Total**
Non-derivative financial liabilities					
Trade and other payables	28	28	–	–	28
	28	**28**	**–**	**–**	**28**

31 December 2007

	Carrying amount £'000	**3 months or less**	**3 – 12 months**	**Greater than 12 months**	**Total**
Non-derivative financial liabilities					
Trade and other payables	28	28	–	–	28
	28	**28**	**–**	**–**	**28**



20. **Financial Exposures** continued

c) Exposure to currency

The Company has no exposure to currency risk.

d) Sensitivity analysis-interest rate risk

As at the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	2008 £'000	2007 £'000
Short Term Fixed Deposit	**1,697**	2,321

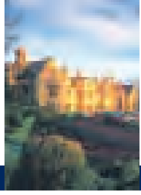
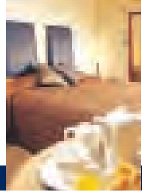
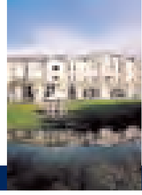
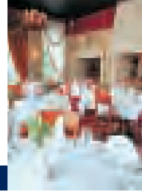
A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2007.

2008
£'000's

	Profit or loss		**Equity**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Variable rate instruments	**20**	**-20**	**20**	**-20**

2007
£'000's

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	18	-18	18	-18

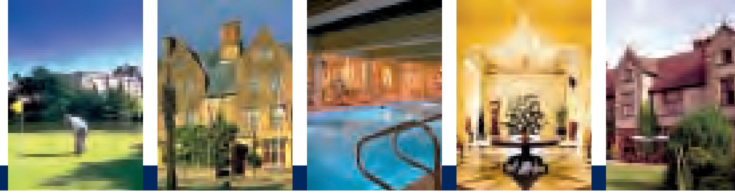

Appendix to the Annual Report

Information relating to Puma Hotels plc. ("Puma")

The profit and loss account of Puma for the period ended 31 December 2008 together with the balance sheet of Puma as at 31 December 2008 is provided below and have been prepared in accordance with applicable United Kingdom accounting standards. These are extracted from the audited financial statements of Puma as at 31 December 2008. This additional information does not form part of the audited financial statements and is for information only.

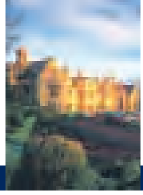
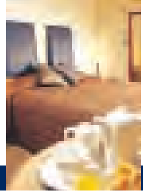
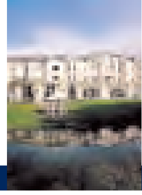
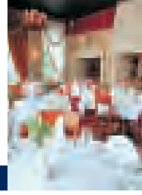
Puma Hotels plc
Consolidated Profit and Loss Account
Year ended 31 December 2008

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Turnover	**28,455**	76,991
Cost of sales	**–**	(8,028)
Gross Profit	**28,455**	68,963
Administrative expenses	**(4,540)**	(57,896)
Administrative expenses – exceptional (Deficit on revaluation of properties)	**(3,283)**	(7,077)
Total administrative expenses	**(7,823)**	(64,973)
Operating Profit	**20,632**	3,990
Loss on sale of fixed assets	**–**	(116)
	20,632	3,874
Interest receivable and similar income	**71**	140
Interest payable and similar charges	**(29,482)**	(29,160)
Loss on Ordinary Activities before Taxation	**(8,779)**	(25,146)
Tax on loss on ordinary activities	**3**	8,018
Loss for the Financial Period	**(8,776)**	(17,128)
Equity dividend paid	**–**	(1,260)
Retained Loss for the Financial Period	**(8,776)**	(18,388)



Puma Hotels plc
Consolidated and Company Balance Sheet
Year ended 31 December 2008

	Group As at 31 December 2008 £'000	Company As at 31 December 2008 £'000	Group As at 31 December 2007 £'000	Company As at 31 December 2007 £'000
Fixed Assets				
Intangible assets – goodwill	**8,481**	**–**	9,002	–
Tangible assets	**483,520**	**–**	531,060	–
Investments	**–**	**469,668**	–	469,668
	492,001	**469,668**	540,062	469,668
Current Assets				
Debtors	**2,387**	**479,376**	819	150,444
Cash at bank and in hand	**8,748**	**8,748**	6,979	6,535
	11,135	**488,124**	7,798	156,979
Creditors: amounts falling due within one year	**(361,846)**	**(625,872)**	(24,129)	(1,054)
Net Current (Liabilities)/Assets	**(350,711)**	**(137,748)**	(16,331)	155,925
Total Assets Less Current Liabilities	**141,290**	**331,920**	523,731	625,593
Creditors: amounts falling due after more than one year	**(33,155)**	**–**	(362,496)	(288,952)
Provision for Liabilities	**–**	**–**	(3)	–
Net Assets	**108,135**	**331,920**	161,232	336,641
Capital and Reserves				
Called up share capital	**1,658**	**1,658**	1,658	1,658
Share premium account	**32,137**	**32,137**	32,137	32,137
Revaluation reserve	**105,104**	**–**	149,425	–
Profit and loss account	**(30,764)**	**298,125**	(21,988)	302,846
Equity Shareholders' Funds	**108,135**	**331,920**	161,232	336,641

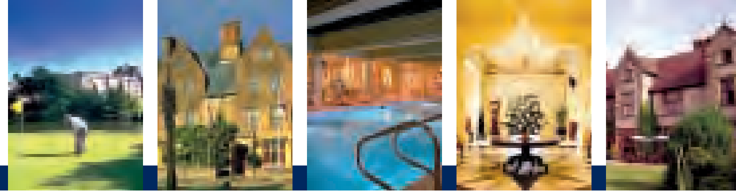

Appendix to the Annual Report continued

Puma Hotels plc
Consolidated Statement of Total Recognised Gains and Losses
Year ended 31 December 2008

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Loss for the financial period	**(8,776)**	(17,128)
Unrealised (deficit)/surplus on revaluation of properties	**(44,321)**	(18,360)
Total recognised losses relating to the period	**(53,097)**	(35,488)

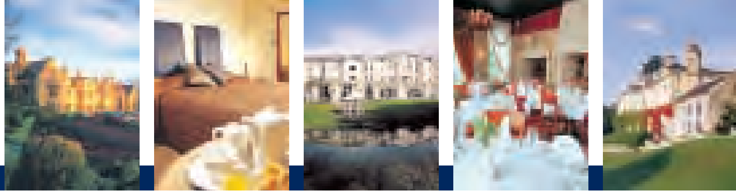
Note of Consolidated Historical Cost Profits and Losses
Year ended 31 December 2008

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Reported loss on ordinary activities before taxation	**(8,779)**	(25,146)
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	**–**	258
Historical cost loss on ordinary activities before taxation	**(8,779)**	(24,888)
Historical cost loss for the year retained after taxation and dividends	**(8,776)**	(18,130)



Puma Hotels plc
Consolidated Cash Flow Statement
Year ended 31 December 2008

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Net cash inflow from operating activities	**18,621**	23,947
Returns on investments and servicing of finance		
Interest received	**71**	140
Interest paid	**(26,480)**	(18,059)
Interest paid on finance leases	**(12)**	(36)
Dividends paid	**–**	(1,260)
Net cash outflow from returns on investments and servicing of finance	**(26,421)**	(19,215)
Taxation		
Corporation tax paid	**–**	–
Capital expenditure		
Purchase of tangible fixed assets	**(1,564)**	(35,485)
Sale of tangible fixed assets	**–**	226
Net cash outflow from capital expenditure and financial investment	**(1,564)**	(35,259)
Net cash outflow before financing	**(9,364)**	(30,527)
Financing		
New term loans raised	**13,929**	105,626
Term loans repaid	**–**	(63,033)
Bonds repaid	**(2,448)**	(2,751)
Loan notes repaid	**–**	(3,709)
New term loan issue costs	**(195)**	(663)
Repayment of principal under finance leases	**(153)**	(371)
Net cash inflow from financing	**11,133**	35,099
Increase in cash	**1,769**	4,572



Notice of Annual General Meeting
To the Members of The Hotel Corporation plc

We hereby give notice that the Annual General Meeting of the shareholders of The Hotel Corporation plc will be held at Burleigh Manor, Peel Road, Douglas, Isle of Man, IM1 5EP on the 26 June 2009 at 10.00 am.

Agenda

1. To receive and, if approved, adopt the Report of the Directors and the Financial Statements for the year ended 31 December 2008, together with the Report of the Independent Auditors.

2. To declare a final dividend for the year ended 31 December 2008.

3. To re-appoint Director:

   Barclay Douglas who retires by rotation and, being eligible, offers himself for re-appointment; and

4. To appoint Auditors, Deloitte & Touche, Chartered Accountants who, being eligible, have expressed their willingness to continue in office.

5. In accordance with AIM Rules a resolution is proposed to seek shareholders annual approval for the Company's investing strategy which is;

   > To invest in businesses in the four star hotel sector in the UK with a particular focus on provincial hotels, as a passive investor. The directors believe they possess the relevant strength and breadth of experience and skills to implement the Company's investing strategy, evaluate proposed investments and effect due diligence on such investments as appropriate, whether personally or by utilising professional advisers.

6. To adopt the following ordinary resolution.

   That the company be unconditionally and generally authorised to make market purchases (as defined by section 13 of the Companies Act 1992) of ordinary shares of £0.05 each in its capital, provided that;

   a) the maximum number of shares that may be so acquired is 1,730,952;

   b) the minimum price that may be paid for the shares is £0.05 per share;

   c) the maximum price that may be so paid is, for a share the Company contracts to purchase on any day, a sum equal to 105 per cent of the average of the upper and lower quotations for the ordinary shares of the company in the Daily Official List of the Stock Exchange on the 5 business days immediately preceding that day; and

   d) the authority conferred by this resolution shall expire on 30 September 2009 but not as to prejudice the completion of a purchase contracted before that date.

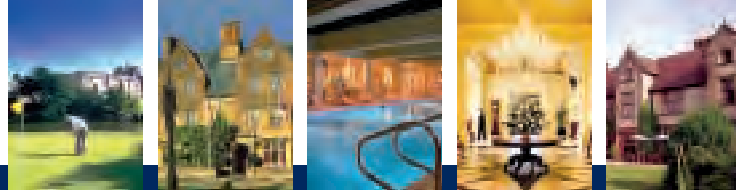
We enclose:

– a form of proxy which, to be valid, must be lodged at the registered office of Company not less that 48 hours before the time of the meeting;

Please return the completed forms, as appropriate.

On behalf of the Board

David Peter Craine
Company Secretary
17 May 2009



Directors and Advisers

Directors

James Barclay Douglas CA LLB (Chairman)
Derek William Short FCIB MSI FinstD
David Peter Craine F.C.A J.P

Registered Office

Burleigh Manor, Peel Road,
Douglas
Isle of Man IM1 5EP

Company Secretary

David Peter Craine
Burleigh Manor, Peel Road,
Douglas
Isle of Man IM1 5EP

Nominated Adviser

Shore Capital and Corporate Limited
Bond Street House
14 Clifford Street
London W1S 4JU

Stockbroker

Shore Capital Stockbrokers Limited
Bond Street House
14 Clifford Street
London W1S 4JU

Solicitors to the Company

SJ Berwin
222 Gray's Inn Road
London WC1X 8XF

Isle of Man Advocates to the Company

Dickinson Cruickshank
33 Athol Street
Douglas
Isle of Man IM1 1LB

Auditors

Deloitte & Touche
Grosvenor House
Athol Street
Douglas
Isle of Man IM99 1XJ

Registrars & Crest Service Provider

Computershare Investors Services PLC
PO Box 83
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW

Isle of Man Administration

Peregrine Corporate Services Limited
Burleigh Manor, Peel Road,
Douglas
Isle of Man IM1 5EP

The Hotel Corporation plc
Peregrine Corporate Services Limited
Burleigh Manor
Peel Road
Douglas
Isle of Man IM1 5EP