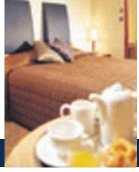
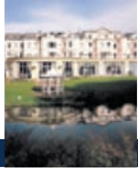
The Hotel Corporation plc

Annual Report and Financial Statements

for the year ended

31 December 2009



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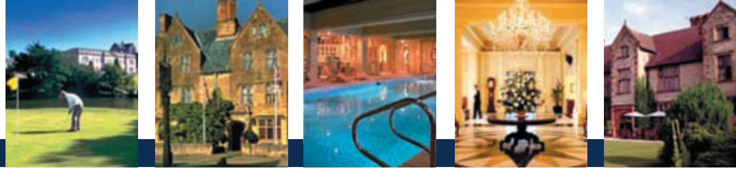
The Lygon Arms.



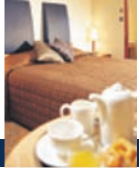
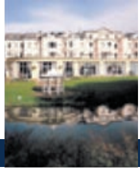
Highlights

Highlights from the results of The Hotel Corporation plc ("the Company" or "HCP") and its subsidiary Puma Hotels plc ("PHP"), together ("the Group") are shown below:

- Term of PHP senior debt facility extended by three years to 31 December 2012
- £20 million PHP equity raising successfully completed, with HCP subscribing to £11.77m in preference shares
- Final HCP Dividend of 1.8p (2008: 2.6p), making a total of 3.6p for the year (2008: 5.3p).
- Significant planning permissions secured by PHP:
  - 107 bedroom lodge hotel in Harrogate
  - 42 additional bedrooms, conference space, bar and restaurant at Brighton Old Ship
- Investment properties prove resilience, despite tough hotel operating environment, with valuation decline restricted to 4.2%

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

This has been an encouraging year for the Group. The senior debt facility extension provides Puma Hotels with the flexibility to optimise shareholder returns. PHP is also well placed to continue to obtain additional planning consents and to execute its development plans. We are also expecting the first distribution from our holding of PHP convertible preference shares during 2010 which we anticipate will enable us to increase the dividend in respect of the current year.

Chairman's Statement

I am pleased to report on the results of HCP and its subsidiary PHP. The Group's Financial Statements are drawn up to include the results of the Company for the year and the results of PHP from the date of acquisition on 29 June 2009 to 31 December 2009. The Company's Financial Statements are drawn up from 1 January 2009 to 31 December 2009 and comparatives figures are given for a full year.

The Company's principal asset comprises its interest in PHP and this statement therefore discusses the results of both the Company itself and PHP. During June 2009 both Companies successfully completed their respective fundraisings and PHP then concluded the refinancing of its bank borrowings, with a three year extension to 31 December 2012. The Company raised £12.16m, before placing costs, in new equity and invested £11.77m in the £20m convertible preference share issue by PHP. These events have created an environment in which PHP can pursue its medium term strategy and create value for shareholders in an optimal fashion. If all the convertible preference shares held by the Company are converted into ordinary shares in the future the Company will, on a fully converted basis, own 53.28% of PHP. While we have no present intention of exercising our conversion rights, International Financial Reporting Standards ("IFRS") rules dictate that we must consolidate the PHP results into our accounts. I will comment upon the Company results and the consolidated results separately.

For consistency with previous periods, the consolidated balance sheet of PHP itself, as at 31 December 2009, the consolidated profit and loss account and consolidated statements of cash flows of PHP for the year ended 31 December 2009 are also provided as an appendix to this report. I recommend that they be read in conjunction with the results that follow.

Results of the Company

Revenue for the year, including bank interest, was £2.00m (2008: £2.07m) and, after deducting administrative expenses and interest but before unrealised gains and losses, profit amounted to £1.81m (2008: £1.86m). In addition, an investment loss amounting to £9.7m (2008: loss of £21.6m) arising from the measurement of the company's investment in the ordinary shares of PHP at their fair value, has been recognised in accordance with IFRS. Including this investment loss, total loss before tax was £7.9m (2008: loss of £19.7m). No tax is payable for the year due to the zero income taxation provisions in the Isle of Man. Basic and diluted earnings per share were (18.5p) (2008: (57.0p)) including these investment losses, and 4.3p (2008: 5.4p) without them.

The Company's net asset value per share, as at 31 December 2009 is 131p (2008: 182p) and the company has valued its shareholding in PHP on the basis of the discounted future net cash flow from PHP. PHP's accounts, prepared under UK Generally Accepted Accounting Principles, include a valuation of its portfolio of 20 hotels of £463.2m (2008: £483.5m). This valuation includes £3m (2008:£3.5m) of land and other assets, at PHP Director's 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, as at 31 December 2009. Against the backdrop of a general decline in the hotel operating environment this is a modest reduction of 4.2% from the previous year, and reflects the quality of the assets and the tenant's covenant strength. The PHP net-asset value per share is 165p under UK Generally Accepted Accounting Standards (UK GAAP) (2008: 270p per share), after allowing for the carried interest attributable to the PHP Founder shares. The movement during the year reflects the £20m reduction in valuation and assumes a full conversion of the 20m convertible preference shares.

Consolidated Results of the Company

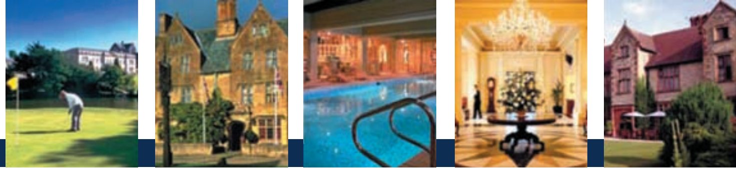
As I indicated above, we are now for the first time consolidating the PHP results within our own results. I draw your attention to the fact that the Consolidated Statement of Comprehensive Income therefore reflects the Group results for the period dating from the Company's investment in PHP convertible preference shares on 29 June 2009 through to 31 December 2009 and the Company's results from 1 January 2009 to 31 December 2009.

The Group revenue for the year, including bank interest, was £16.1m and, following administrative expenses and interest but before unrealised gains and losses, the loss amounted to £0.7m. After an investment loss of £22.5m the total loss before tax was £23.2m. A deferred taxation credit of £10.8m reduces the loss after tax to £12.4m. Basic earnings per share were (9.03p).

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 138.6p.

Dividend

The Company has proposed a final dividend of 1.8p per ordinary share (2008: 2.6p), making a total of 3.6p for the year (2008: 5.3p). This level of dividend reflects the enlarged issued share capital. The ex-dividend date will be 31 March 2010 and the record date 6 April 2010. Payment will be made to shareholders shortly after the Annual General Meeting on 7 May 2010. The total dividends paid, £1.8m (2008: £2.5m) reflect the profits for the year before investment losses and tax.



Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Report, together with the financial position of the Group. The Group's valuation of its properties and borrowing facilities are set out in the Puma Hotels plc Review of Operations and Financial Performance. The maturity of the Group's debt facility has been extended until 31 December 2012, interest rate hedges are in place for 100% of the facility and the rental income benefits from guarantees provided by Barceló Corporation Empresorial SA. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

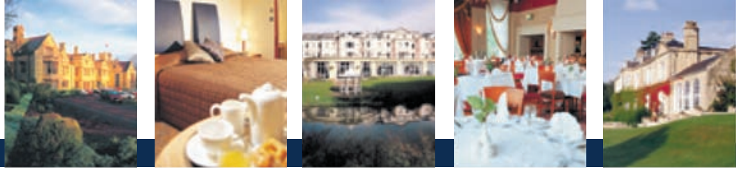
Prospects

It has been an encouraging year for both the Company and PHP. Also, since the year end significant planning permissions have been secured at Harrogate and Brighton. PHP is well placed to continue to obtain additional planning consents, execute its development plans and in due course consider selective asset disposals as the investment market recovers. The senior debt facility extension provides the flexibility to optimise the shareholder returns from these activities. We are also expecting the first distribution from our holding of PHP convertible preference shares in respect of the period to 30 June 2010 which we anticipate will enable us to increase the dividend in respect of the current period.

Barclay Douglas
Chairman

25 March 2010

Cheltenham Park Hotel.



Review of Operations and Financial Performance

The operations of the Group are concentrated within Puma Hotels plc ("PHP") hence a review of operations and financial performance for PHP under UK Generally Accepted Accounting Standards ("UK GAAP") has been provided

Introduction

Since the granting of leases to Barceló Group ("Barceló") on 6 September 2007, PHP trades as an owner of hotel property receiving income from property rents. PHP's hotels are let on 45 year FRI leases to Barceló, a leading Spanish hospitality group with substantial global hotel and other leisure related operations.

Financial Performance

Turnover for the year ended 31 December 2009 of £30.0m represents rent received from Barceló (2008: £28.5m). Operating profit of £24.0m (2008: £20.6m) has grown over the prior year reflecting the benefit of the increase in rent and the reduction in overhead costs.

After deducting bank interest payable on the PHP's senior facility, PHP showed a net profit of £0.6m (2008: Loss of £1.5m) before bank interest, Shareholder Finance Costs and exceptional items. The Shareholder Finance Costs comprise £4m of payments to bondholders of the PHP's deep discounted bonds and a notional, non-cash finance charge relating to the convertible preference shares of £0.7m. The exceptional item is the non-cash charge of the deficit on revaluation of properties of £2.1m. Therefore, after deducting these items the loss on ordinary activities for the year is £6.2m (2008: £8.8m).

Net bank interest payable was flat against the prior year. As previously reported the maturity of PHP's senior facility with Anglo Irish Bank was extended by three years to 31 December 2012. The effective date of this extension was 13 July 2009, at which time the margin on the facility increased from 175bps to 250bps. The additional interest arising from the increased margin was largely offset by a lower cost of funding and by the reduction in the principal amount of the facility. Commencing on 1 January 2010, the new interest rate SWAPs executed in April 2009, are in operation and will reduce annual interest costs by an average of £3.5m p.a. over the next three years (compared to interest payable for the year ended 31 December 2009).

As discussed below, PHP has had the leased properties professionally revalued as at 31 December 2009 and, as a result, is now carrying its entire portfolio at a total value of £463.2m (2008: £483.5m). 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 £2.1m (2007: £3.3m). This charge is a non-cash item which is shown as a "deficit on revaluation". The remainder of the revaluation deficit has been taken against the valuation surplus in the balance sheet after which the 31 December 2009 balance of the revaluation reserve is £84.7m (2008: £105.1m).

Leases and Property Revaluation

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

In addition to the tenant's FRI obligation, the agreement with Barceló also provides for a £10m capital expenditure contribution to be made by PHP in the first 10 years of the leases. This contribution is to be spent on structural and mechanical improvements by Barceló. To date, PHP has contributed £4.3m of which Barceló have spent £2.3m during 2009 bringing the total spent by Barceló since inception of the lease to £3.0m. The amount spent during 2009 is capitalised by PHP and taken into account when calculating the year end valuation adjustment.

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

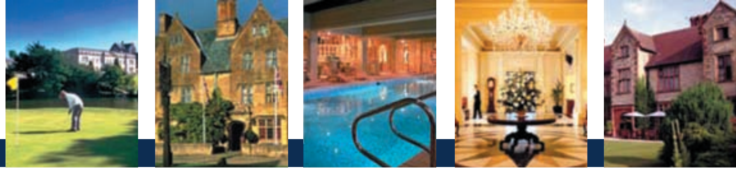
For the purpose of preparing its annual financial statements for 2009, PHP has had the property subject to these leases professionally valued by Colliers Robert Barry. This valuation of each property in the portfolio, which excludes land held for development and other assets not subject to the Barceló lease, is at £460.2m. The Board of PHP considers that the current value of the assets excluded from the lease is a further £3.0m.

Against the backdrop of a general decline in the hotel operating environment, the 31 December 2009 valuation has fallen by a modest 4.2% from the 2008 valuation, reflecting the quality of the assets, capital expenditure made and an improvement in the general investment market.

Anglo Irish Bank Debt Facility Extension

As detailed in PHP's 2009 interim results announcement, PHP has extended the term of its senior debt facility with Anglo Irish Bank Limited ("Anglo Irish"). 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 PHP's financial position. Key features of the extension are:

- The facility was reduced to £332.3m from its previous ceiling of £350m (of which £347.5m was drawn) on 13 July 2009. PHP funded this reduction, together with associated costs, by raising an additional £20m in new equity primarily from PHP's existing shareholders.



Radworth Hall Hotel.

- The new equity was issued in the form of cumulative convertible preference shares. These preference shares bear a cumulative 7% p.a. coupon beginning in 2010 and are convertible into new ordinary shares on a 1 for 1 basis. Of the £20m subscribed, £11.77m was subscribed by The Hotel Corporation plc, the AIM-listed investment company which owns 49.92% of PHP's ordinary shares.
- 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 stability to shareholders in the current market.
- The margin on the facility has increased from 1.75% to 2.5% from 13 July 2009.
- The maturity of PHP's outstanding bonds has also been extended to align it with the Bank facility, although approximately £2m of these bonds was, as previously scheduled, redeemed on 30 June 2009. Also, the outstanding bonds have been listed on the Channel Islands Stock Exchange and continue to earn a return of 12% per annum.

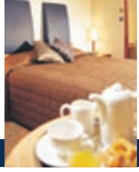
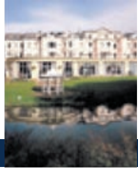
Development Plans

In the past, PHP has successfully exploited the potential for gains in value through developing the portfolio by adding extra rooms, conference and other facilities. PHP continues to seek additional planning permissions as well as to monitor and protect planning permissions already granted. Three significant applications lodged during 2009 were determined in February 2010, and PHP secured these planning consents:

1. **Harrogate Lodge Hotel:** Granted by Harrogate Borough Council this planning consent allows for the development of a 107 bedroom lodge hotel on land that is part of the development assets excluded from the Barceló lease. The proposed hotel will be directly linked into a new 3,400 sq m exhibition facility which is to be built as part of the first phase in the redevelopment of the Harrogate International Centre (HIC), approval for which was granted at the same time as that for the 107 bedroom lodge. We are in discussions with branded hotel companies in relation to this development opportunity.

   As part of PHP's discussions with the HIC, their building plans will also provide improved access into the HIC from the four star 170 bedroom Barceló Majestic Hotel, for which a planning consent already exists to extend the hotel by a further 85 bedrooms.
2. **Brighton Old Ship Hotel:** Planning consent has been secured for a 3,000 sq m development at this waterfront, city centre hotel which will add 42 bedrooms (a 27% increase to existing room stock), a 248 sq m conference facility and 124 sq m of bar and restaurant facilities.
3. **Gatehouse at Combe Grove Manor:** Planning and listed building consent obtained for a 30% extension of the internal space at this attractive residential property that is part of the development assets excluded from the Barceló lease.

In overall terms, PHP has the potential to add over 800 rooms (over 25 per cent of the current estate) of which 519 rooms (2008: 370 rooms, therefore a 40% increase in consented rooms) have already received the necessary planning or listed

Imperial Hotel, Torquay.

building consent. There are also schemes for over 3,000 sq m (of which over 70% have planning consent) of additional meeting rooms and upgrades for several leisure clubs. The economics of adding these rooms and other facilities can be highly attractive for both PHP and Barceló. The value of the development potential of the portfolio is not typically fully recognised in a professional valuation and PHP therefore believes that fulfilling the programme may add significantly to net asset value over time.

Strategy and Plans

Having concluded the extension of the maturity of its senior debt facility to 31 December 2012, PHP has significantly strengthened its financial position. In addition, the interest rate SWAPs put in place and the reduction in overheads, provide predictability over PHP's cashflows. Whilst the value of the Group's assets reflects a modest reduction, rental income has increased. PHP's financial position is further supported by Barceló's strong covenant which has proven to be of significant benefit during the turbulent operating environment which has impacted the global hotel sector over the last two years.

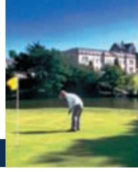
In the medium term, there is also the opportunity to unlock significant value by gaining additional planning consents, executing PHP's development plans and considering selective asset disposals as the investment market recovers. The Board of PHP considers that as the investment market recovers, PHP's 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.

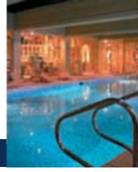
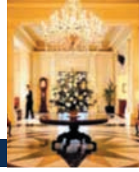
Post balance sheet date events

As detailed above, three planning consents which were lodged during 2009 were determined in February 2010. Therefore, PHP has secured consent for a 107 bedroom lodge on land excluded from the Barceló lease at Harrogate. At the Barceló Old Ship Hotel, Brighton PHP secured consent for a 3,000 sq m development which includes 42 bedrooms, 248 sq m of meeting space, and 124 sq m of bar and restaurant facilities. At the Gatehouse at Combe Grove, planning and listed building consent has been obtained for a 30% extension of the internal space at this attractive residential property that is part of the development assets excluded from the Barceló lease.

Prospects

PHP is well placed to maximise shareholder value having extended the maturity of the senior facility, and having reduced interest costs and operating overheads. The planning permissions secured represent valuable additions to an already substantial development bank across the portfolio from which PHP expects to realise value as the hotel operating environment improves. Looking ahead, the rent from Barceló is due to increase to £31 million in September 2010 and is RPI linked thereafter.




Investment Property Overview

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

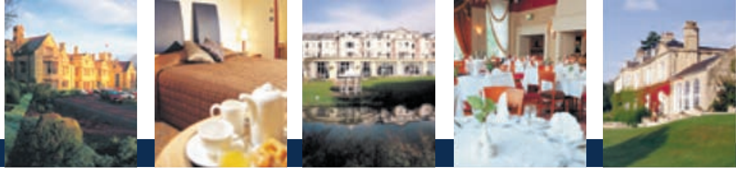
16. Barceló Combe Grove Manor, Bath*
17. Barceló Basingstoke Country Hotel
18. Barceló Torquay Imperial Hotel
19. Barceló Brighton Old Ship Hotel

WALES

20. Barceló Cardiff Angel Hotel

* Barceló Premium Hotels

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



Directors' Biographies

Barclay Douglas LLB CA (age 54)

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).

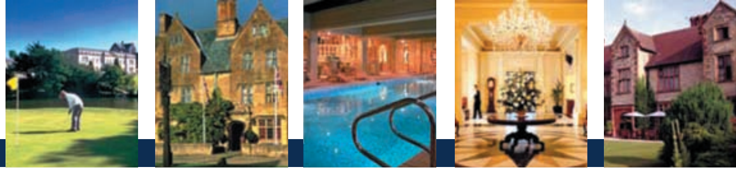
He is Chairman of Parallel Options and Cascade Care Group.

Derek Short FCIB MCSI FinstD (age 67)

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.

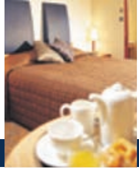
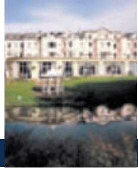
David Craine FCA JP (age 55)

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 and Advisers

Directors	James Barclay Douglas CA LLB (Chairman) Derek William Short FCIB MCSI 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 and Stockbroker	Shore Capital and Corporate 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	Appleby 33 Athol Street Douglas Isle of Man IM1 1LB
Auditors	Deloitte & Touche The Old Courthouse Athol Street Douglas Isle of Man IM99 1XJ
Registrars and 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

Directors' Report

The Directors present their annual report and the audited financial statements of The Hotel Corporation plc ("the Company") and its subsidiary Puma Hotels plc ("PHP"), together ("the Group"). The Group's Financial Statements are drawn up to include the results of the Company for the year and the results of PHP from the date of acquisition on 29 June 2009 to 31 December 2009. The Company's Financial Statements are drawn up from 1 January 2009 to 31 December 2009 and comparatives figures are given for a full year.

Principal Activity

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

Business Review

A review of the business of the Group, is set out in the Chairman's Report on pages 2 to 3.

Details of significant events since the balance sheet date being dividends proposed are contained in note 23 to the financial statements.

Results and Dividends

During the year the Company has made an operating profit, including bank interest but before revaluation of its investment in its subsidiary, of £1,807,000 (2008 profit £1,859,000). After the revaluation of its subsidiary the Company made a loss of £7,855,000 (2008 loss : £19,743,000).

On 29 June 2009 the Company consolidated its results with its subsidiary, Puma Hotels plc and the Group has made a loss of £12,377,000 which has been transferred from reserves. Dividends paid of £1,797,000 are detailed in note 11.

Directors

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

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

D. W. Short 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 2009 had interests in the shares of the Company.

Ordinary Shares of 5p	31 December 2009		31 December 2008	
Director	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
Barclay Douglas	**170,239**	–	107,739	–
Derek Short	**40,000**	–	10,000	–
David Craine	**18,000**	–	5,500	–

Barclay Douglas also has beneficial interest in 50,000 preference shares in Puma.

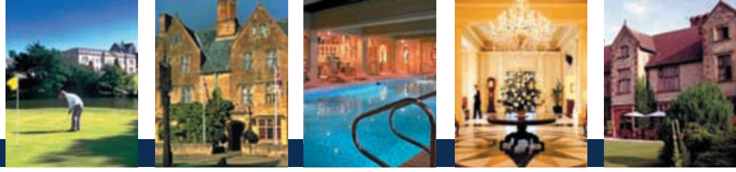
Substantial Shareholdings

On 19 March 2010 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	12,585,483	25.26
Bank of New York (Nominees) Limited	9,346,745	18.76
Pershing Nominees Limited	9,040,751	18.14
Chase Nominees Limited	3,729,804	7.00
HSBC Global Custody Nominee (UK) Limited	2,427,427	4.87

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Report, together with the financial position of the Group. The Group's valuation of its properties and borrowing facilities are set out in the Puma Hotels plc Review of Operations and Financial Performance. In addition note 13 to the financial statements includes 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 has been extended until 31 December 2012, interest rate hedges are in place for 100% of the facility and the rental income benefits from guarantees provided by Barceló Corporation Empresorial 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.



After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

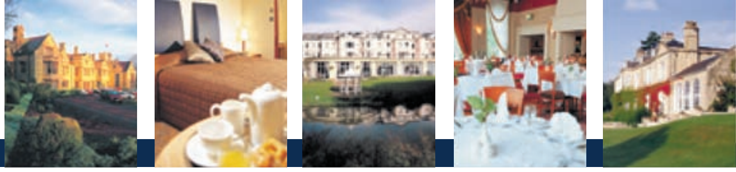
Deloitte & Touche, have expressed a willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

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 Fiduciary Service Provider regulated by the Isle of Man Financial Supervision Commission. David Craine is a director of PCS, see related party note 24.

Relations with Shareholders

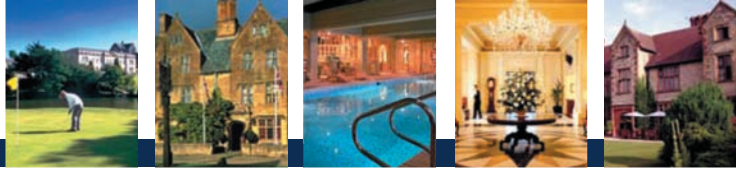
The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place. The Chairman together with the Company's Nominated Advisers undertakes this function and reports back to the Board.

Directors' Remuneration

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

	2009 £'000	**2008 £'000**
Barclay Douglas (Chairman)	**35**	35
Derek Short	**23**	23
David Craine	**10**	10
Irrecoverable Value Added Tax	**5**	6
Total	**73**	74

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 in accordance with applicable laws and regulations.

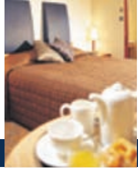
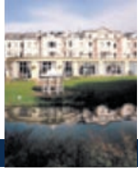
The directors have elected to prepare financial statements of the Group in accordance with International Financial Reporting Standards ("IFRS"). Isle of Man company law requires the directors to prepare such financial statements in accordance with relevant accounting standards and the Companies Acts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

International Accounting Standard 1 requires that financial statements present fairly for each financial year the group'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;
- make an assessment of the company's ability to continue as a going concern; 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 Group, 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 Group and Company financial statements ("the financial statements") of The Hotel Corporation Plc for the year ended 31 December 2009, which comprise the Group and Company statement of comprehensive income, Group and Company statement of financial position, Group and Company statement of changes in equity, Group and Company statement of cash flows and the related notes 1 to 25. 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), as issued by the International Accounting Standards Board ("IASB"), 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. The other information comprises only the Directors' Report, the Chairman's Statement, the Review of Operating and Financial Performance and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within 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 Group and 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.

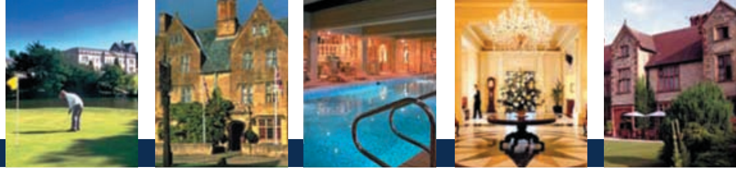
Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs, as issued by the IASB , of the state of the Company and Group's affairs at 31 December 2009 and of the group and company loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1931 to 2004.

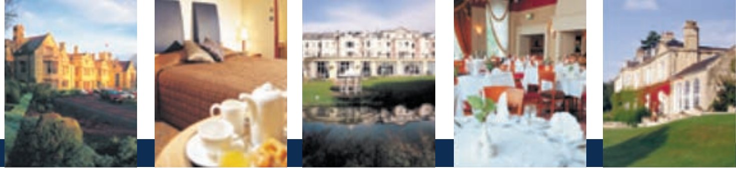
Deloitte & Touche
Chartered Accountants
Douglas
Isle of Man

25 March 2010



Consolidated Statement of Comprehensive Income

	Notes	2009 £'000	2008 £'000
Continuing Operations			
Revenue	6	**16,116**	1,986
Administrative expenses	8	**(1,891)**	(215)
Loss on change in fair value of investment property	13	**(22,474)**	-
(Loss)/Profit from operations		**(8,249)**	1,771
Bank interest receivable		**32**	88
Loss on change in fair value of interest rate swaps	25	**(1,240)**	-
Investment surplus – unrealised		**1,117**	(21,602)
Interest payable	9	**(14,840)**	-
Loss before tax		**(23,180)**	(19,743)
Tax	10	**10,803**	-
Loss after tax for the year		**(12,377)**	(19,743)
Total comprehensive loss for the year		**(12,377)**	(19,743)
Attributable to:			
Owners of the Company		**(3,833)**	(19,743)
Non controlling interests		**(8,544)**	-
		(12,377)	(19,743)
Earnings per share			
Basic and diluted from continuing operations	12	**(9.03p)**	(57.0p)



Consolidated Statement of Financial Position

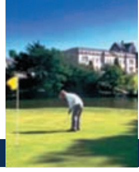
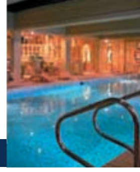
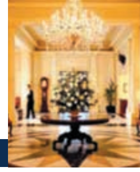
Assets	Notes	2009 £'000	2008 £'000
Non - Current Assets			
Intangible assets – Goodwill	5	**28,382**	–
Investment Property	13	**463,170**	–
Investments		**–**	61,221
Current Assets			
Trade and Other Receivables	15	**1,502**	11
Cash and Cash Equivalents		**10,401**	1,697
		11,903	1,708
Total Assets		**503,455**	62,929
Liabilities			
Current Liabilities			
Trade and Other Payables	18	**14,016**	28
Fair Value of Interest Rate Swaps	25	**2,251**	–
Non - Current Liabilities			
Borrowings	16	**348,545**	–
Fair Value of Interest Rate Swaps	25	**16,222**	–
Deferred Tax Liabilities	19	**33,718**	–
		398,485	–
Total Liabilities		**414,752**	28
Net Assets		**88,703**	62,901
Equity			
Share Capital	20	**2,491**	1,731
Share Premium Account	20	**11,015**	–
Retained Earnings		**55,540**	61,170
Equity attributable to owners of the Company		**69,046**	62,901
Non controlling interest	21	**19,657**	–
Total Equity and Liabilities		**88,703**	62,901
Net Asset Value per share (Based on number of shares in issue at year end)		**138.6p**	182p

The financial statements were approved by the Board of Directors and authorised for issue on 25 March 2010.

They were signed on its behalf by;

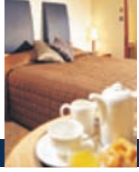
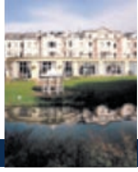
………………..................…. ………………..................….

Barclay Douglas David Craine



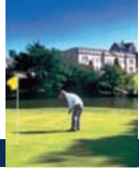
Consolidated Statement of Changes in Equity

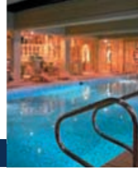
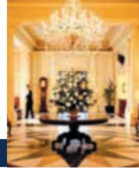
	Share Capital £'000	Share Premium Account £'000	Non controlling interest £'000	Retained Earnings £'000	Total £'000
Balance at 31 December 2007	**1,731**	**33,300**	**–**	**50,106**	**85,137**
Loss for the year	–	–	–	(19,743)	(19,743)
Dividend	–	–	–	(2,493)	(2,493)
Transfer of Share Premium	–	(33,300)	–	33,300	–
Balance at 31 December 2008	**1,731**	**–**	**–**	**61,170**	**62,901**
Acquisition of Puma Hotels plc on 29 June 2009 (note 5)	–	–	27,874	–	27,874
Capital contribution from non-controlling interest	–	–	327	–	327
Loss for the year	–	–	(8,544)	(3,833)	(12,377)
Issue of share capital	760	11,400	–	–	12,160
Placing costs	–	(385)	–	–	(385)
Dividends	–	–	–	(1,797)	(1,797)
Balance at 31 December 2009	**2,491**	**11,015**	**19,657**	**55,540**	**88,703**

Consolidated Statement of Cash Flows

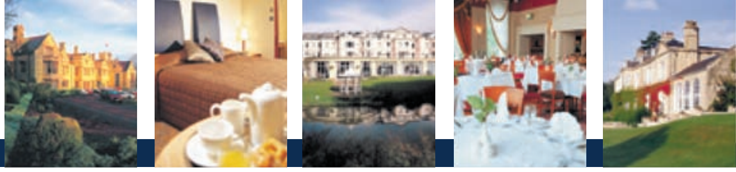
	Notes	**2009 £'000**	2008 £'000
Net Cash Inflow/(Outflow) From Operating Activities	22	**11,135**	(216)
Investing Activities			
Interest Received		**32**	88
Proceeds received on the maturity of Investments		**1,986**	1,986
Net cash on acquisition of a subsidiary		**15,224**	–
Interest paid		**(14,605)**	–
Net cash from Investing Activities		**2,637**	2,074
Capital Expenditure			
Purchase of tangible fixed assets		**(97)**	–
Sale of tangible fixed assets		**463**	–
		366	–
Financing Activities			
Shares Issued		**12,160**	–
Placing Costs		**(384)**	–
Dividends Paid		**(1,797)**	(2,493)
Term loans repaid		**(15,000)**	–
Bonds repaid		**(14)**	–
New term loan issue costs		**(399)**	–
Net cash used in Financing Activities		**(5,435)**	(2,493)
Net increase/(decrease) in cash and cash equivalents		**8,704**	(635)
Cash and cash equivalents at beginning of year		**1,697**	2,332
Cash and cash equivalents at end of year		**10,401**	1,697




Company Statement of Comprehensive Income

	Notes	2009 £'000	2008 £'000
Continuing Operations			
Revenue	6	**1,986**	1,986
Administrative expenses		**(188)**	(215)
Profit from operations		**1,798**	1,771
Bank interest receivable		**10**	88
Investment losses – unrealised	14	**(9,663)**	(21,602)
Loss before taxation		**(7,855)**	(19,743)
Taxation	10	**–**	–
Comprehensive loss for the year		**(7,855)**	(19,743)
Earnings Per Share	12	**2009**	2008
Basic and diluted		**(18.5 p)**	(57.0p)



Company Statement of Financial Position

ASSETS	Notes	2009 £'000	2008 £'000
Non-Current Assets			
Investments	14	**63,328**	61,221
Current Assets			
Receivables	15	**8**	11
Cash and Cash Equivalents		**1,712**	1,697
		1,720	1,708
Total Assets		**65,048**	62,929
LIABILITIES			
Current Liabilities			
Trade and Other Payables	18	**24**	28
Total Liabilities		**24**	28
Net Assets		**65,024**	62,901
Equity			
Share Capital	20	**2,491**	1,731
Share Premium Account	20	**11,015**	–
Retained Earnings		**51,518**	61,170
Equity attributable to owners of the Company		**65,024**	62,901
Total Equity		**65,024**	62,901
Net Asset Value per share (Based on number of shares in issue at year end)		**131p**	182p

The financial statements were approved by the Board of Directors and authorised for issue on 25 March 2010.

They were signed on its behalf by;

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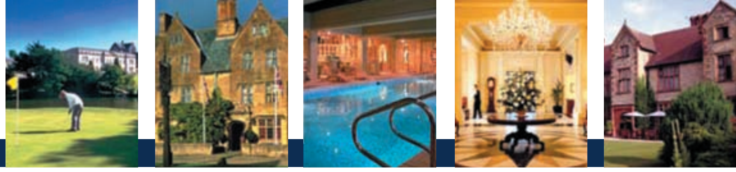
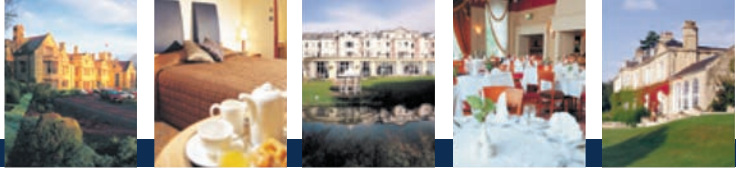
Barclay Douglas David Craine



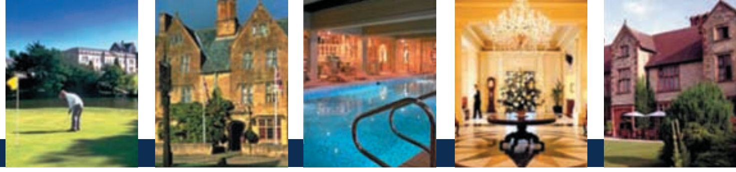
Company Statement of Changes in Equity

	Notes	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total £'000
Balance at 31 December 2007		**1,731**	**33,300**	**50,106**	**85,137**
Loss for the year		–	–	(19,743)	(19,743)
Dividend		–	–	(2,493)	(2,493)
Transfer of Share Premium		–	(33,300)	33,300	–
Balance at 31 December 2008		**1,731**	**–**	**61,170**	**62,901**
Loss for the year		–	–	(7,855)	(7,855)
Dividend	11	–	–	(1,797)	(1,797)
Shares Issued	20	760	–	–	760
Premium on Shares Issued	20	–	11,400	–	11,400
Placing costs	20	–	(385)		(385)
Balance at 31 December 2009		**2,491**	**11,015**	**51,518**	**65,024**



Company Statement of Cash Flows

	Notes	2009 £'000	2008 £'000
Net Cash Outflow From Operating Activities	22	**(189)**	(216)
Investing Activities			
Interest Received		**10**	88
Proceeds received on the maturity of Investments		**1,986**	1,986
Preference Shares in Puma		**(11,770)**	–
Net cash (used in)/from Investing Activities		**(9,774)**	2,074
Financing Activities			
Shares Issued		**12,160**	–
Placing Costs		**(385)**	–
Dividends Paid		**(1,797)**	(2,493)
Net cash from/(used in) used in Financing Activities		**9,978**	(2,493)
Net increase/(decrease) in cash and cash equivalents		**15**	(635)
Cash and cash equivalents at beginning of year		**1,697**	2,332
Cash and cash equivalents at end of year		**1,712**	1,697



Notes to the Financial Statements

1. General Information

The Hotel Corporation plc is incorporated in the Isle of Man under the Companies Acts 1931 to 2004. The address of the registered office is given on page 9. The nature of the Company's operations and its principal activities are set out in the Directors' Report on pages 10 to 11 and the Chairman's Statement on pages 2 to 3.

These consolidated Group and Company financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operate and rounded to the nearest thousand pounds.

2. Adoption of new and revised Standards

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

Standards affecting presentation and disclosure

i. IFRS 8 Operating Segments

IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 7)

ii. Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

Standards affecting the reported results and financial position

The following amendment was made as part of Improvements to IFRSs (2008):

i. Amendment to IAS 40 Investment Property

IAS 40 has been amended to include within its scope investment property in the course of construction. Therefore, following the adoption of the amendments and in line with the Group's general accounting policy, investment property is measured at fair value (where that fair value is reliably determinable), with changes in fair value recognised in the comprehensive income statement.

Standards not affecting the reported results nor the financial position

At the date of authorisation of these Group and Company financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

i. IFRS 1 (amended)/IAS 27 (amended)

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.

ii. IFRS 9 (revised Nov 2009)

Financial Instruments

iii. IAS 24 (revised Nov 2009)

Related Party Transactions

iv. IAS 27 (revised 2008)

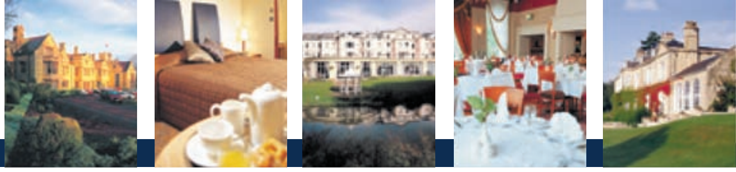
Consolidated and Separate Financial Statements

v. IAS 28 (revised 2008)

Investments in Associates

vi. IAS 32 (revised Oct 2009)

Classification of Rights Issue



Notes to the Financial Statements (continued)

2. Adoption of new and revised Standards (continued)

vii. IFRIC 14 (revised Nov 2009)

Prepayment of a Minimum Funding Requirement

viii. IFRIC 17

Distributions of Non-cash Assets to Owners

ix. IFRIC 18

Transfers of Assets from Customers

x. IFRIC 19 (revised Nov 2009)

Extinguishing Financial Liabilities with Equity Instruments

xi. Improvements to IFRSs (April 2009)

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group.

3. Significant accounting policies

Basis of accounting

The consolidated Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have been prepared on the historical cost basis, except for the revaluation of certain investment property and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of The Hotel Corporation plc ("the Company") and its subsidiary Puma Hotels plc ("PHP"), which is controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The Group's Financial Statements are drawn up to include the results of the Company for the year and the results of PHP from the date of acquisition on 29 June 2009 to 31 December 2009. This is the first year consolidation and hence, the Group comparative figures are the Company's numbers only.

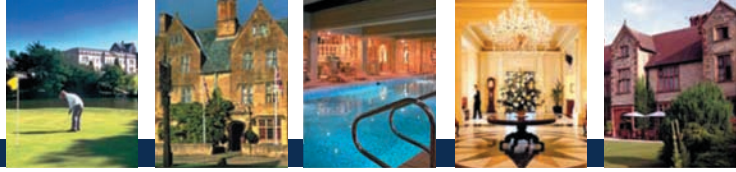
The additional investment in PHP was made mid-year, consequently there is a six month profit and loss and cash flow impact on the Company on a consolidated basis.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated comprehensive income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the non controlling interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Report, together with the financial position of the Group. The Group's valuation of its properties and borrowing facilities are set out in the Puma Hotels plc Review of Operations and Financial Performance. In addition note 13 to the financial statements includes 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 has been extended until 31 December 2012, interest rate hedges are in place for 100% of the facility and the rental income benefits from guarantees provided by Barceló Corporation Empresorial SA. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.



3. Significant accounting policies (continued)

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Chairman's Statement on pages 2 to 3.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

The interest of minority shareholders in the acquiree is measured at the minority's proportionate share of the net identifiable assets of the entity acquired.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

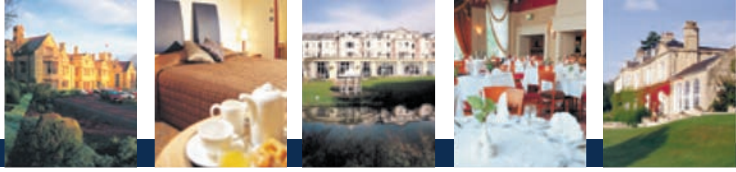
Dividend and interest revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. During the year the Group and Company did not have any finance leases.



Notes to the Financial Statements (continued)

3. Significant accounting policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the comprehensive statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the comprehensive statement of income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

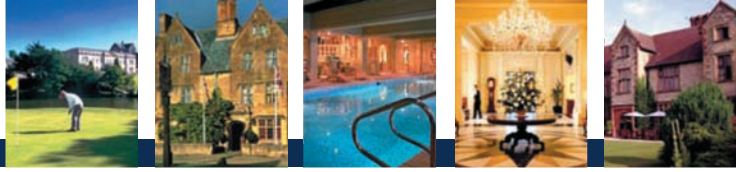
Financial instruments

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

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.



Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

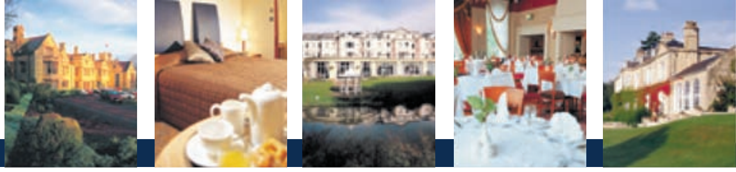
For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.



Notes to the Financial Statements (continued)

3. Significant accounting policies (continued)

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Compound instruments

The compound parts of compound instruments (convertible preference shares) issued by the Group are classified separately as financial liabilities. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate movements. Further details of derivative financial instruments are disclosed in note 25.

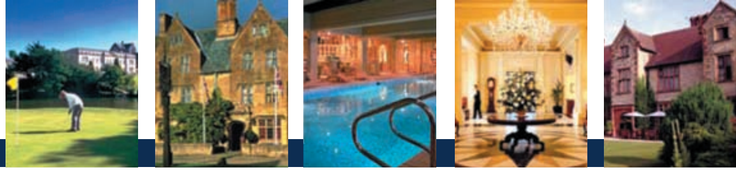
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives in respect of interest rate risk, as cash flow hedges.

Note 25 sets out details of the fair values of the derivative instruments used for hedging purposes.



Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Group : Impairment of goodwill

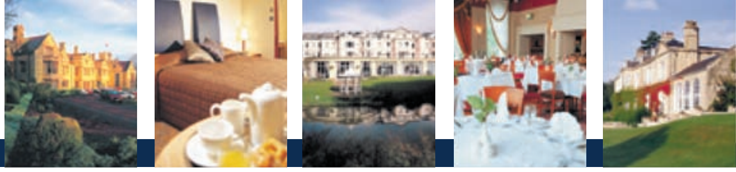
Determining whether goodwill is impaired requires an estimation of the value of the cash-generating unit to which goodwill has been allocated. An impairment review was performed during the year by the directors, however no impairment was recognised. The carrying amount of goodwill at the balance sheet date was £28,382,000 with no impairment losses recognised between date of acquisition and year end.

Group : Investment property value

The directors have used independent valuations as a basis to measure the fair value of the investment property, see note 13.

Company : Fair value of investment

In line with accounting polices set out in note 3, note 14 sets out in detail the method by which fair value is attributed to the Company's investment in ordinary shares in Puma Hotels plc.



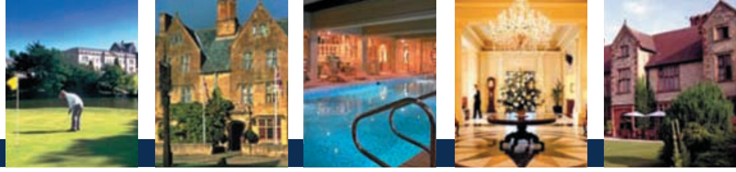
Notes to the Financial Statements (continued)

5. Acquisition of subsidiary

The Company had adopted the provisions of IFRS3, Business Combinations (2008). On 29 June 2009 the Company purchased 11,770,000 convertible preference shares of Puma Hotels plc (PHP). The Company already held 16,550,000 ordinary shares of PHP. If this holding were to be converted into PHP ordinary shares the Company's combined investment would be 53.28%. The table below details the calculation of fair value of net assets acquired upon acquisition of subsidiary, PHP.

	Acquiree's carrying amount under UK GAAP	Fair Value Adjustment under IFRS	Net assets acquired under IFRS
	£'000	£'000	£'000
Net Assets acquired			
Goodwill	8,221	(8,221)	–
Investment Property (note 13)	486,010	–	486,010
Bank and Cash balances	26,994	–	26,994
Trade Payables	(13,898)	–	(13,898)
Bank Loan	(347,152)	–	(347,152)
Bonds	(33,150)	–	(33,150)
Deferred tax liability	–	(44,521)	(44,521)
Interest Rate Swaps	–	(17,233)	(17,233)
	127,025	(69,975)	57,050
Fair value of previously held interest			(45,788)
Non controlling interest share of fair value assets acquired			(27,874)
Goodwill arising on acquisition			28,382
Total consideration satisfied by cash			11,770

Net Cash inflow arising on acquisition	**£'000**
Cash consideration paid	(11,770)
Cash and cash equivalents acquired	26,994
Net cash inflow arising on acquisition	15,224



6. Revenue

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

	Group	Company	Group and Company
	2009 £'000	2009 £'000	2008 £'000
Continuing operations			
Property rental income from management agreement with Barceló Hotels and resorts	**15,123**	**–**	–
	15,123	**–**	–
Amortisation of discount on bonds held to maturity (note 14)	**993**	**1,986**	1,986
	16,116	**1,986**	1,986

£15,123,000 property rental income on an operating lease represents 6 months worth of revenue attributable to the Group, post acquisition of the Company's subsidiary, Puma Hotels plc. The Group's turnover, loss before taxation and net assets are derived from its principal activity within the UK.

Operating lease arrangements

The Group as a lessor

The Group has a 45 year lease which places full repairing and insuring obligations on the tenant and provides guaranteed rental growth over the first four years; this is inflation-indexed thereafter and can also increase if hotel EBITDA (as defined in the agreement with the tenant) performs well.

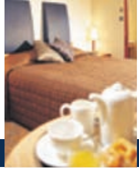
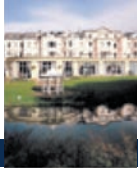
At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payment:

	Group
	2009 £'000
Within one year	**30,326**
In the second to fifth years inclusive	**130,961**

The future minimum lease payments after 15 years will increase in line with RPI until the end of the lease.

7. Business and geographical segments

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

8. Loss for the year

Loss for the year has been arrived at after charging:

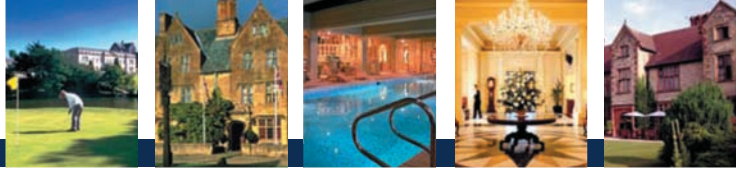
	Group	Company	Group and Company
	2009 £'000	**2009 £'000**	2008 £'000
Auditors' remuneration for:			
Audit fees payable for the audit of the Group and Company's annual accounts	**40**	**16**	25
Other services relating to taxation	**7**	**–**	5

9. Interest Payable

	Group	Company	Group and Company
	2009 £'000	**2009 £'000**	2008 £'000
Interest payable on bank loans and overdraft	**12,392**	–	–
Notional finance cost on non – controlling interest	**327**	–	–
Interest payable on bonds	**1,929**	–	–
Amortisation of bank loan issue costs	**192**	–	–
	14,840	–	–

10. Group Tax on loss on ordinary activities

	2009 £'000
UK corporation tax charge	
Current period	–
Current tax	–
Deferred tax	
Origination and reversal of timing differences	**9,734**
Prior year adjustment	**1,069**
Tax on loss on ordinary activities	**10,803**



10. Group Tax on loss on ordinary activities (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows.

	2009 £'000
Current tax reconciliation	
Loss on ordinary activities before taxation	(23,180)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2008:28.5%)	(6,490)
Effects of:	
Temporary timing differences arising from the write down of assets	6,292
Expenses not deductible for tax purposes	511
Income not taxable for tax purposes	(33)
Capital allowances in excess of depreciation for period	(3,021)
Unprovided tax losses	3,886
Permanent Industrial Buildings Allowances claimed	(614)
Utilisation of tax losses	(592)
Tax losses (provided)	879
Deferred tax asset in respect of losses	–
0% rate (Company tax on loss on ordinary activities)	(818)
Current tax charge for period	**–**

Company Tax on loss on ordinary activities

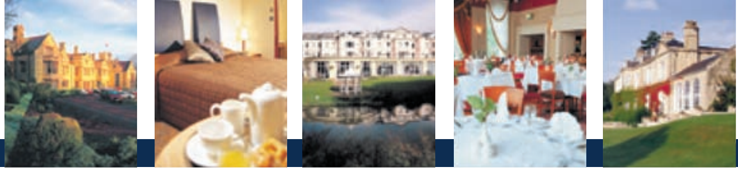
The Income Tax (Amendment) Act 2006 provides that a standard zero rate of income tax will apply to the Company for 2008/09 and subsequent years of assessment. Therefore no provision for liability to Manx income tax has been included in these financial statements.

11. Dividends

On 17 May 2009 the Company announced a dividend of 2.6 pence per share in respect of the year to 31 December 2008. The dividend, which amounted to £900,095 was paid on 3 July 2009.

The Company declared an interim dividend of 1.8 pence per ordinary share on the enlarged issued share capital on 23 September 2009. The dividend which amounted to £ 896,743 was paid on 31 October 2009.

A final dividend of 1.8 pence per share has been proposed (Note 23).



Notes to the Financial Statements (continued)

12. Earnings per Share

Earnings : Company

	2009 £'000	2008 £'000
Earnings for the purposes of basic earnings per share being net loss attributable to owners of the Company	(7,855)	(19,743)

Number of Shares	**2009**	2008
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	42,448,091	34,619,050

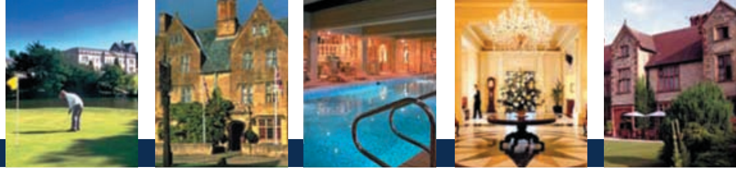
There were no convertible instruments in existence as at 31 December 2009 and therefore diluted earnings per share does not differ from the basic earnings per share

Earnings : Group	**2009 £'000**
Earnings for the purpose of basic earnings per share being the net comprehensive consolidated loss for the year attributable to the owners of the Company	(3,833)

The preference shares issued by PHP are non-dilutive for the calculation of diluted earnings per share because the Group is loss making.

13. Investment property

	Group	Group and Company
Fair Value	**2009 £'000**	2008 £'000
At 29 June 2009 (Date of Puma acquisition – note 5)	486,010	–
Additions	97	–
Disposals	(463)	–
Decrease in fair value during the year	(22,474)	–
At 31 December 2009	463,170	–



13. Investment property (continued)

The fair value of the group's investment property at 31 December 2009 has been arrived at on the basis of a valuation carried out at that date by Colliers Robert Barry & Co. Chartered Surveyors, independent valuers not connected with the group. The investment properties have been valued at £460.2m. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

A further £3m has been included in the value in respect of assets excluded from the valuation lease to Barceló.

Annual rental income of £30.0m is earned on the investment property, see note 6.

14. Investments

Company Investments

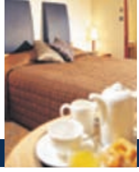
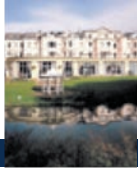
Classified as:	**2009 £'000**	2008 £'000
Investment at Fair Value	**46,778**	44,671
Bonds Held to Maturity	**16,550**	16,550
	63,328	61,221

Investments at Fair Value

	2009 £'000	2008 £'000
Fair value at start of year	**44,671**	66,273
Investments made during year	**11,770**	–
Decrease in fair value	**(9,663)**	(21,602)
Fair value at end of year	**46,778**	44,671

The investment classified as 'Fair Value' shown above represents a holding of 16,550,000 ordinary shares of £1 par value in Puma Hotels plc ("PHP"), which comprises 49.92% of the issued share capital of that company and 11,770,000 Convertible Preference shares in PHP of £1 carrying a cumulative 7% coupon commencing in 2010.

In determining the fair value attributable to the ordinary shares and convertible preference shares in PHP, the Directors drew upon the discounted future net cash flows arising from PHP and utilised that net asset value for each ordinary share, including an assumed conversion of all of the convertible preference shares held in PHP by the Company, making an appropriate adjustment for the carried interest attributable to the founder shares in PHP. If all the convertible preference shares were converted the subsequent holding would represent 53.28% in the issued share capital of PHP.

Notes to the Financial Statements (continued)

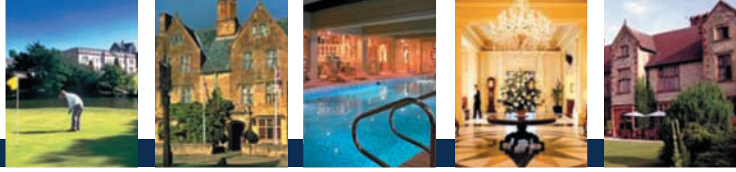
14. Investments (continued)

Subsidiary Undertakings

During the year and up to the year end, the Group has the following subsidiaries:

	Activity	Country of incorporation	% of shares capital owned
Puma Hotels plc	Holding company	England	53.28%
Paramount Hotels Group Limited	Holding company	England	*
Paramount Hotels Holdings Limited	Holding company	England	*
Paramount Hotels Investments Limited	Holding company	England	*
Paramount Hotels Limited	Property investment company	England	*
Paramount Hotel Services Limited	Employment services	England	*
Old Ship Hotel (Brighton) Limited	Property investment company	England	*
Scottish Highland Hotels Limited	Property investment company	Scotland	*
Carlton Hotel (Edinburgh) Limited	Property investment company	Scotland	*
Stirling Highland Hotel Limited	Property investment company	Scotland	*
Puma (Finance) plc	Finance company	England	*
Paramount Hotels (Hinckley) Limited	Property investment company	England	*
Paramount Hotels (Daventry) Limited	Property investment company	England	*
Paramount Hotels (Basingstoke) Limited	Property investment company	England	*
Furlong Hotels Limited	Property investment company	England	*
Furlong Cotswolds Limited	Property investment company	England	*
Combe Grove Manor Hotel and Country Club Limited	Property investment company	England	*
Paramount Hotels Walton Hall Limited	Property investment company	England	*
The Lygon Arms Hotel Limited	Dormant	England	*
Puma Hotels (Guernsey) Limited	Holding company	Guernsey	*

* 100% owned by Puma Hotels plc



14. Investments (continued)

For the purpose of preparing its 31 December 2009 financial statements, PHP has used the external professional valuation of its Hotel portfolio completed by Colliers Robert Barry & Co Chartered Surveyors, independent valuers, as at 31 December 2009.

The convertible preference shares in PHP will rank ahead of the ordinary share capital in a winding up of PHP and can be converted into ordinary shares in the capital of PHP at any time at the option of the holder of these preference shares upon 21 days notice. These preference shares don't carry the right to vote except on a resolution modifying the rights attaching the preference shares.

Bonds held to maturity	**2009 £'000**	2008 £'000
At start of year	**16,550**	16,550
Redeemed in year	**(1,986)**	(1,986)
Amortisation of discount	**1,986**	1,986
At end of year	**16,550**	16,550

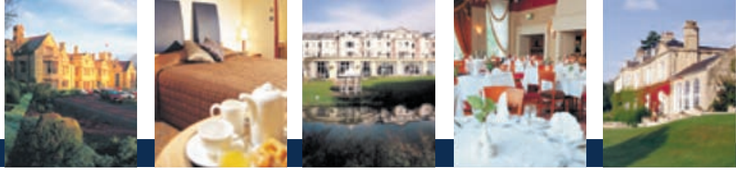
The investments included above represent investments in unsecured deep discount bonds issued by Puma (Finance) plc, a subsidiary of Puma Hotels plc, maturing at nominal value on 31 December 2012. The bonds have a coupon rate of 12%. During the year the bonds were listed on the Channel Island Stock Exchange.

Included in the Group reserves this year, an amount of £993k which represents the Company's revenue from the amortisation of the discount on the bonds held to maturity up to the date of Puma Hotels plc acquisition (note 6).

The maturity profile of the bonds held at 31 December 2009 is shown below:

Maturing	**Nominal Value**	
	2009 £'000	2008 £'000
Within one year	**–**	17,543
One to two years	**–**	–
Two to three years	**16,550**	–
Total	**16,550**	17,543

The investments disclosed above are shown in the Company statements only. The investments represent holdings within the subsidiary, PHP and hence the balances are eliminated upon consolidation.



Notes to the Financial Statements (continued)

15. Trade and Other Receivables

	Group 2009 £'000	Company 2009 £'000	Group and Company 2008 £'000
Amounts falling due within one year			
Receivable due from Barceló	**1,465**	**–**	2
Prepayments and accrued income	**19**	**8**	9
Corporation tax debtor	**18**	**–**	–
	1,502	**8**	11

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

16. Borrowings

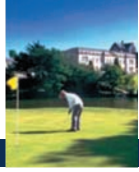
	2009 £'000
Unsecured borrowing at amortised cost	
Bonds	**16,600**
	16,600
Secured borrowing at amortised cost	
Bank loans	**332,345**
Accrued finance cost	**(400)**
	331,945
Total borrowings	**348,545**
Amount due for settlement within 12 months	**–**
Amount due for settlement after 12 months	**348,545**

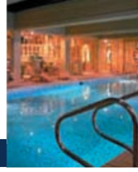
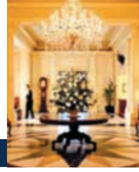
In the prior year the Company did not have borrowings, hence no comparative figures have been provided.

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

i. The group has bank loans 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 outlined in note 25. The total interest charge in the current year resulted in an average interest rate of 7.47%. All the bank loans are fully drawn down. The borrowings are secured against the investment property (note 13).

ii. The Group has no finance lease obligations.




16. Group Borrowings (continued)

iii. The final redemption date for the bonds is dependent on the issuer Puma (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.

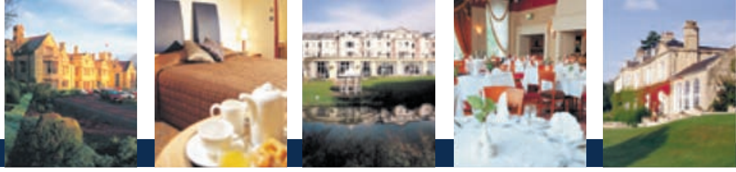
17. Trade and other payables: amounts falling due after more than one year

Maturity of bank and other loans

	Bank loans 2009 £'000	Bonds 2009 £'000	Total 2009 £'000
Repayable:			
Within one year or on demand	–	–	–
Between one and two years	–	–	–
Between two and five years	**332,345**	**16,600**	**348,945**
	332,345	**16,600**	**348,945**
Accrued finance cost	**(400)**	**–**	**(400)**
	331,945	**16,600**	**348,545**

18. Trade and other Payables: Amounts falling due within one year

	Group 2009 £'000	Company 2009 £'000	Group and Company 2008 £'000
Other taxation and social security	**982**	**–**	–
Other creditors	**40**	**24**	28
Accruals and deferred income	**12,994**	**–**	–
	14,016	**24**	28



Notes to the Financial Statements (continued)

19. Deferred tax liability

	Group 2009 £'000	Company 2009 £'000	Group and Company 2008 £'000
Deferred taxation			
At beginning of year	**44,521**	–	–
Transfer to statement of comprehensive income	**(10,803)**	–	–
	33,718	–	–

The amounts provided for deferred taxation are set out below:

	Group Provided 2009 £'000
Difference between accumulated depreciation and capital allowances	**8,665**
Tax losses carried forward	**(16,617)**
On revaluation of investment properties	**41,670**
	33,718

20. Share Capital

Authorised: Ordinary Shares of £0.05	2009 Number	2009 £'000
As at 31 December	**80,000,000**	**4,000**

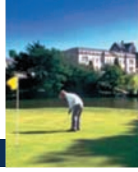
Issued and fully paid: Ordinary Shares of £0.05	2009 Number	2009 £'000
Balance at Start of Year	**34,619,050**	**1,731**
Issued during year	**15,200,000**	**760**
As at 31 December	**49,819,050**	**2,491**

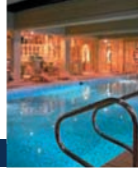
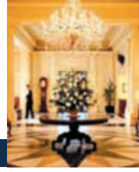
The Company has one class of ordinary shares which carry no right to fixed income.

On 29 June 2009 the Company issued 15,200,000 new ordinary shares of 5p each at a placing price of 80p per share to raise £12.6 million (before placing costs of £385,000). The total number of shares in issue at 31 December 2009 was 49,819,050.

Share Premium Account

On 29 June 2009 the Company issued 15,200,000 new ordinary shares of 5p each at a placing price of 80p resulting in 75p premium on each share, a total of £11,400,000 premium. Placing costs of £385,000 were deducted from the premium achieved resulting in a net share premium of £11,015,000.




21. Non controlling Interest

	£'000
Balance at 1 January 2009	–
Balance at date of acquisition (note 5)	27,874
Share of loss for the year	(8,217)
Balance at 31 December 2009	19,657

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

The rights attached to the Founder Shareholders result in them receiving a disproportionate share of the profit or loss of PHP dependant on a certain level of reserves with PHP.

22. Notes to the Statement of Cash Flows

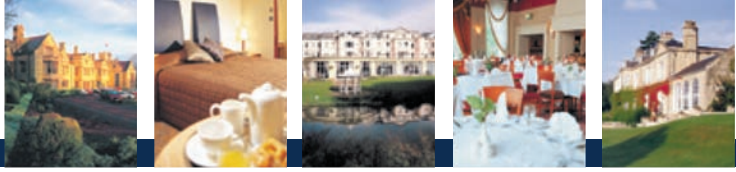
Reconciliation of Profit/(Loss) from Operations to Net Cash from Operating Activities.

	Group **2009** **£'000**	**Company** **2009** **£'000**	Group and Company 2008 £'000
(Loss)/Profit from Operations	**(8,249)**	**1,798**	1,771
(Increase)/Decrease in Receivables	**(1,491)**	**3**	(1)
(Decrease) in Trade and other payables	**(606)**	**(4)**	–
Amortisation of deep discounted bonds	**(993)**	**(1,986)**	(1,986)
Loss on change in fair value of investment property	**22,474**	**–**	–
Total	**11,135**	**(189)**	**(216)**

23. Events after the Balance Sheet Date

On 25 March 2010 the Company declared a dividend of 1.8p per share. The ex-div date will be 31 March 2010 and a record date of 6 April 2010. Payment will be made to shareholders on 09 May 2010.

Three significant applications lodged during 2009 were determined in February 2010, see Puma Hotels plc Review of Operations and Financial Performance under Development plans on page 5.



Notes to the Financial Statements (continued)

24. 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:

	Group	**Company**	Group and Company
	2009	**2009**	2008
	£'000	**£'000**	£'000
Short-term employee benefits directors fees	**204**	**73**	74
Total	**204**	**73**	74

Purchase of Ordinary Shares Of 5p during year

Director	**Beneficial**	**Non-Beneficial**
Barclay Douglas	62,500	–
Derek Short	30,000	–
David Craine	12,500	–

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 £23,233 (2008: £23,500) in respect of acting as Nominated Adviser were paid during the year. Management fees of £3,019,000 have been charged during the year by Shore Capital to Puma Hotels plc. The management fee charged by Shore Capital Limited is based on 60 basis points of gross asset value per annum.

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 £28,562 (2008: 31,050) 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.

The Puma Hotels plc Group has been involved in transactions with companies within the Shore Capital Group.

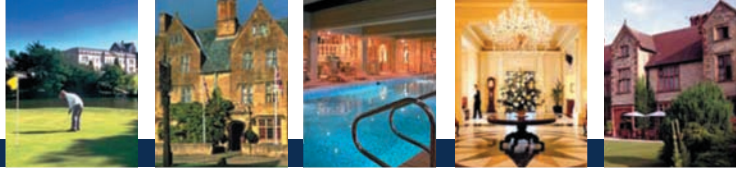
25. Financial Instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in note 20.

The Group is not subject to any externally imposed capital requirements.



25. Financial Instruments (continued)

Gearing ratio

The Group gearing ratio at the year end is as follows:

	2009 £'000
Debt	**348,545**
Cash and cash equivalents	**10,401**
Net Debt	**338,144**
Equity (including non - controlling interest)	**88,701**
Net debt to equity ratio	**381%**

Debt is defined as long- and short-term borrowings (excluding derivatives and financial guarantee contracts).

Equity includes all capital and reserves of the Group that are managed as capital.

In the prior year the Company had a cash balance of £1,697,000 and no borrowings, hence no gearing comparatives have been provided.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

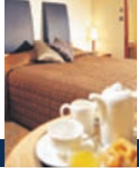
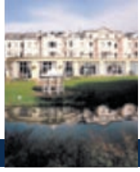
Categories of financial instruments

	Group 2009 £'000	Company 2009 £'000	Group and Company 2008 £'000
Financial assets			
Cash and bank balances	**10,401**	**1,720**	1,697
Loans and receivables	**1,502**	**8**	11
Financial liabilities			
Interest rate swap contract	**18,473**	**–**	–
Bank loan	**331,945**	**–**	–
Bonds	**16,600**	**–**	–

At the end of the reporting year, there are no significant concentrations of credit risk for loans and receivables. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such loans and receivables.

Financial risk management objectives

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

25. Financial Instruments (continued)

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates (see below). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, including interest rate swaps to mitigate the risk of rising interest rates.

Interest rate exposures are considered in a separate section of this note.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk management

Group operations are based in the UK and as a result have no exposure to foreign currency risk.

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for derivatives instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year. A 50bp increase and decrease is used internally by key management personnel and represents management's assessment of the reasonably possible change in interest rates. Following a review, the directors have determined that the cash flow hedges are ineffective.

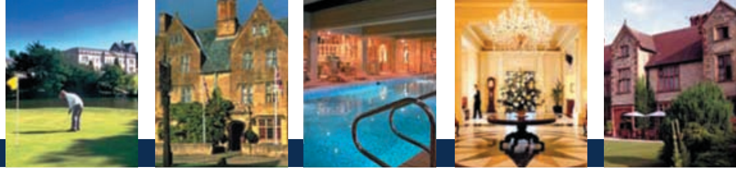
The following table shows that if interest rates had been 50 base points higher and all other variables were held constant, the Group's loss for the year ended 31 December 2009 would have decreased to £12.4m. Similarly, if interest rates had been 50 base points lower and all other variables were held constant, the Group's loss for the year ended 31 December 2009 would have increased to £24.5m. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and the associated interest rate swaps in place.

It is noted that all the Group's floating rate liabilities are fully hedged and on a cash basis there would be no effect if interest rates had varied by 50 base points during the year. The impact is only in terms of profit and loss on the fair value movement of the interest rate swaps.

The Groups sensitivity to interest rates has not changed during the current period.

Notional Principle Value	Start Date	Maturity Date	Rate	MTM	+50 bp	-50 bp
				2009	2009	2009
£'000			%	£'000	£'000	£'000
182,345	31/12/09	31/12/10	2.230%	(2,251)	(1,561)	(2,940)
182,345	31/12/10	30/12/11	3.330%	(1,031)	(115)	(1,945)
182,345	31/12/11	31/12/12	3.945%	(265)	807	(1,338)
131,132	16/09/08	31/12/14	5.145%	(14,926)	(11,560)	(18,293)
				(18,473)	(12,429)	(24,516)

In the prior year the Company did not have interest rate swaps, hence no comparative figures have been provided.



25. Financial Instruments (continued)

Interest rate swap contracts

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 year.

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

Cash flow hedges

Outstanding receive floating pay fixed contracts	Average contract fixed interest rate	Notional principal value	Fair value
	2009 %	2009 £'000	2009 £'000
Less than 1 year	**2.23**	**182,345**	**(2,251)**
1 to 2 years	**3.95**	**182,345**	**(265)**
2 to 5 years	**4.84**	**313,477**	**(15,957)**
			(18,473)

In the prior year the Company did not have cash flow hedges, hence comparative figures have not been provided.

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.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. The Group does not hold equity investments outside of Puma Hotels plc, which is eliminated upon consolidation.

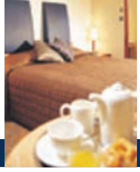
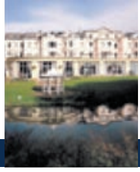
Credit risk management

The Group is exposed to the risk that its hotel manager Barceló Hotels and Resorts ("Barceló") may be unable to meet its rent obligations. The risk is mitigated as the rental income is received in advance and by the rent and other guarantees provided by Barceló Corporation Empressorial SA (the tenant's ultimate parent company), which has a strong balance sheet.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Based on past experience, the Company believes that cash risk is limited in respect of financial assets held with financial institutions, as the financial institutions all have high credit ratings.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Notes to the Financial Statements (continued)

25. Financial Instruments (continued)

Financial assets and other credit exposures

The table below shows the credit limit and balance of its sole counterparty at the balance sheet date.

Counterparty	Location	2009 Credit limit £'000	2009 Carrying amount £'000
Barceló Hotels and Resorts	UK	–	**1,465**

In the prior year the company did not have credit exposures, hence comparative figures have not been provided.

As at the balance sheet date the Group held £1,465,000 financial assets in regards to funds paid to Barceló by Puma under the terms of the rental agreement. These funds are to be used by Barceló for capital expenditure. Once invoices have been received by the Group, these funds are reclassified within investment property.

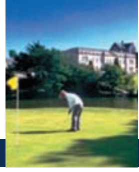
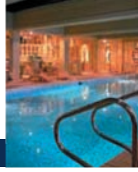
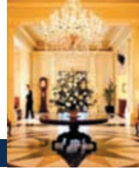
Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

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

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	£'000	£'000	£'000	£'000	£'000	£'000
Group and Company as at 31 December 2008							
Non-interest bearing		–	2	9	–	–	11
Variable interest rate instruments	1.52	1,697	–	–	–	–	1,697
Fixed interest rate instruments		–	–	–	–	–	–
		1,697	2	9	–	–	1,708
Group as at 31 December 2009							
Non-interest bearing		**–**	**1,465**	**37**	**–**	**–**	**1,502**
Variable interest rate instruments	**0.52**	**10,401**	**–**	**–**	**–**	**–**	**10,401**
Fixed interest rate instruments		**–**	**–**	**–**	**–**	**–**	**–**
		10,401	**1,465**	**37**	**–**	**–**	**11,903**

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the reporting date.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	£'000	£'000	£'000	£'000	£'000	£'000
31 December 2009							
Non-interest bearing		–	998	–	–	–	998
Variable interest rate instruments	6.62	6,446	5,009	10,019	398,693	–	420,167
		6,446	6,007	10,019	398,693	–	421,165

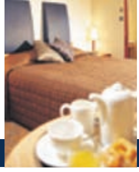
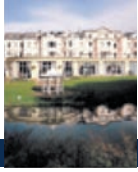
In the prior year the Company did not have cash flows arising from financial liabilities, hence comparative figures have not been provided.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	Less than 1 month	1-3 months	3 months to 1 year	1 – 5 years	5 + years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2009						
Net settled:						
Interest rate swaps	–	–	(2,251)	(16,222)	–	(18,473)
	–	–	(2,251)	(16,222)	–	(18,473)

In the prior year the company did not have interest rate swaps, hence comparative figures have not been provided.

Upon acquisition the Group fair valued the interest rate swaps at a net liability of £17,233,000. The movement of £1,240,000 between the date of acquisition and the year end is included in the Group statement of comprehensive income.

25. Financial Instruments (continued)

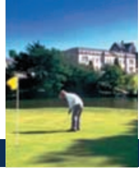
Financing facilities

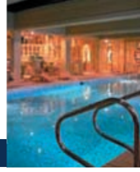
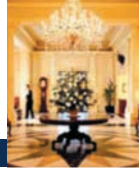
See analysis of borrowings, detailed in note 17.

Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

	Carrying amount	**Fair value**	Carrying amount	Fair value
	2009 £'000	**2009 £'000**	2008 £'000	2008 £'000
Financial assets				
Loans and receivables:				
- trade and other receivables	**1,502**	**1,502**	11	11
Financial liabilities				
Financial liabilities held at amortised cost:				
- bank loans and bonds at fixed interest rate	**348,545**	**348,545**	–	–
- trade and other payables	**14,016**	**14,016**	28	28




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 7 May 2010 at 11.00 am.

Agenda

1. To receive and, if approved, adopt the Report of the Directors and the Financial Statements for the year ended 31 December 2009, together with the Report of the Independent Auditors.

2. To declare a final dividend for the year ended 31 December 2009.

3. To re-appoint Director:

   Derek Short who retires by rotation and, being eligible, offers himself for re-appointment; and

4. Any corporate shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. In order to appoint a corporate representative a corporate shareholder must provide a letter of representation to their chosen representative, which must be surrendered to the Company upon registration at the meeting.

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 business 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 2011 but not as to prejudice the completion of a purchase contracted before that date.

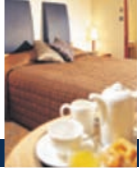
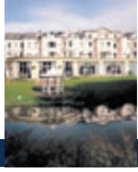
We enclose:

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

  Please return the completed forms, as appropriate.

On behalf of the Board

David P Craine FCA, Company Secretary

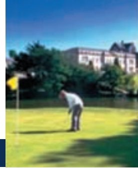
Appendix to the Annual Report

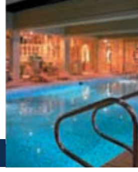
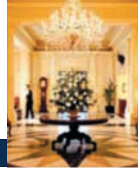
Information relating to Puma Hotels plc. (“Puma”)

The profit and loss account of Puma for the year ended 31 December 2009 together with the balance sheet of Puma as at 31 December 2009 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 2009. 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 2009

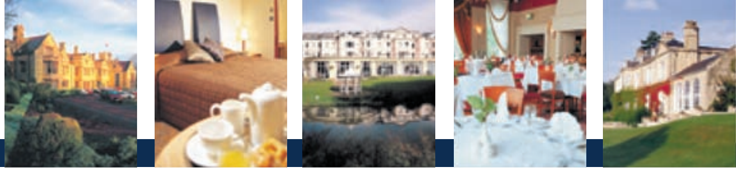
	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
TURNOVER	**30,000**	28,455
Cost of sales	**–**	–
GROSS PROFIT	**30,000**	28,455
Other administrative expenses	**(3,873)**	(4,540)
Administrative expenses – exceptional	**(2,102)**	(3,283)
(Deficit on revaluation of properties)		
Total administrative expenses	**(5,975)**	(7,823)
OPERATING PROFIT	**24,025**	20,632
Interest receivable and similar income	**39**	71
Interest payable and similar charges	**(30,301)**	(29,482)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	**(6,237)**	(8,779)
Tax on loss on ordinary activities	**–**	3
LOSS FOR THE FINANCIAL YEAR	**(6,237)**	(8,776)
Equity dividend paid	**–**	–
RETAINED LOSS FOR THE FINANCIAL YEAR	**(6,237)**	(8,776)



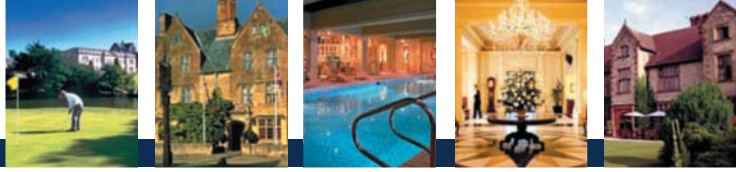

Puma Hotels plc
Consolidated and Company Balance Sheet
Year ended 31 December 2009

	Group As at 31 December 2009 £'000	**Company** As at 31 December 2009 £'000	Group As at 31 December 2008 £'000	Company As at 31 December 2008 £'000
FIXED ASSETS				
Intangible assets – goodwill	**7,960**	**–**	8,481	–
Tangible assets	**463,170**	**–**	483,520	–
Investments	**–**	**469,668**	–	469,668
	471,130	**469,668**	492,001	469,668
CURRENT ASSETS				
Debtors	**1,494**	**556,286**	2,387	479,376
Cash at bank and in hand	**8,689**	**8,689**	8,748	8,748
	10,183	**564,975**	11,135	488,124
CREDITORS: amounts falling due within one year	**(13,992)**	**(404,892)**	(361,846)	(625,872)
NET CURRENT (LIABILITIES)/ASSETS	**(3,809)**	**160,083**	(350,711)	(137,748)
TOTAL ASSETS LESS CURRENT LIABILITIES	**467,321**	**629,751**	141,290	331,920
CREDITORS: amounts falling due after more than one year	**(385,095)**	**(302,355)**	(33,155)	–
PROVISION FOR LIABILITIES	**–**	**–**	–	–
NET ASSETS	**82,226**	**327,396**	108,135	331,920
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	**84,732**	**–**	105,104	–
Profit and loss account	**(36,301)**	**293,601**	(30,764)	298,125
EQUITY SHAREHOLDERS' FUNDS	**82,226**	**327,396**	108,135	331,920



Puma Hotels plc
Consolidated Statement of Total Recognised Gains and Losses
Year ended 31 December 2009

	Year ended 31December 2009 £'000	Year ended 31 December 2008 £'000
Loss for the financial period	**(6,237)**	(8,776)
Unrealised (deficit)/surplus on revaluation of properties	**(20,372)**	(44,321)
Total recognised losses relating to the period	**(26,609)**	(53,097)



Appendix to the Annual Report continued

Puma Hotels plc
Consolidated Cashflow statement
Year ended 31 December 2009

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Net cash inflow from operating activities	**26,636**	18,621
Returns on investments and servicing of finance		
Interest received	**39**	71
Interest paid	**(27,894)**	(26,480)
Interest paid on finance leases	**–**	(12)
Dividends paid	**–**	–
Net cash outflow from returns on investments and servicing of finance	**(27,855)**	(26,421)
Taxation		
Corporation tax paid	**–**	–
Capital expenditure		
Purchase of tangible fixed assets	**(2,587)**	(1,564)
Sale of tangible fixed assets	**463**	–
Net cash outflow from capital expenditure and financial investment	**(2,124)**	(1,564)
Net cash outflow before financing	**(3,343)**	(9,364)
Financing		
New term loans raised	**–**	13,929
Issue of preference share capital	**20,000**	–
Term loans repaid	**(15,000)**	–
Bonds repaid	**(1,124)**	(2,448)
New term loan issue costs	**(592)**	(195)
Repayment of principal under finance leases	**–**	(153)
Net cash inflow from financing	**3,284**	11,133
(Decrease)/Increase in cash	**(59)**	1,769

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