








The Hotel Corporation plc

Report and Accounts

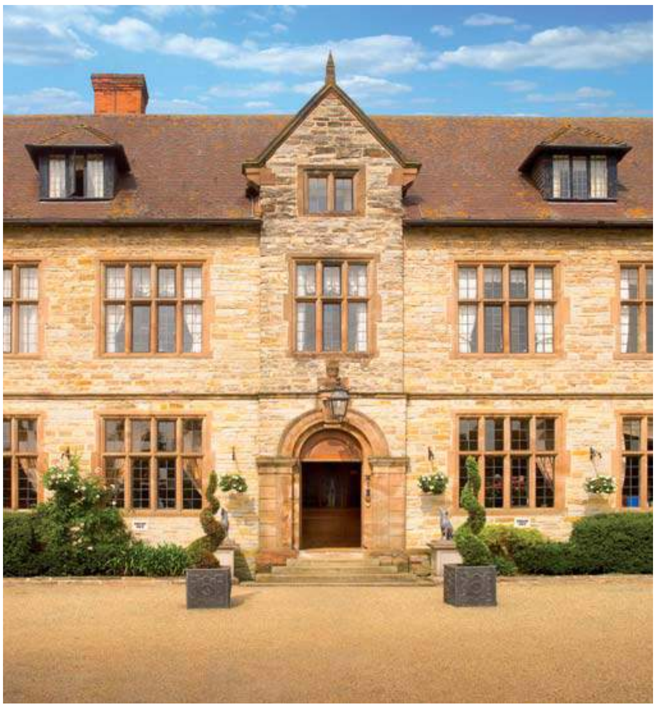
for the year ended

31 December 2007



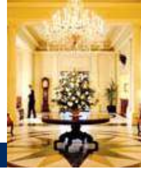


Contents



Billesley Manor Hotel.




Highlights

The Hotel Corporation

- Profit before movement in unrealised investments of £2.5m (2006: £2.05m).
- Net assets per share of 246p (2006: 290p).
- Final dividend of 4.5p per share (2006: 4.5p), giving 7.2p for 2007 (2006: 7.15p).

DSH

- Leased hotels for 45 years providing a secure income stream which is inflation indexed and has further potential for rises depending on hotel profit performance.
- Strong pipeline of further developments, with plans for approx. 800 rooms (more than 20% of estate), of which 363 rooms have planning permission.

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

‘We welcome DSH’s successful transformation into an investment property company specialising in hotels. I believe it will prove to be an astute move.

‘The lease arrangements with Barceló provide DSH with excellent prospects for income growth into the long term, underpinned by a strong covenant. Rental income is scheduled to increase from £28m to £30m from the beginning of September 2008 and if Barceló continues to make progress in improving hotel profitability, this income will begin to rise rapidly after a further two years.

There are also good prospects for increasing rental income by carrying out the development programme.

‘Your Company is well-placed to grow value for shareholders.’





Chairman's Statement

I am pleased to report on the final figures for the twelve months ended 31 December 2007.

As the company's principal asset comprises its interest in Dawnay Shore Hotels plc (DSH), this statement will focus both on the company's own results and then on those of DSH. The balance sheet of DSH as at 31 December 2007, income statement and consolidated cash flow statement of DSH for the period ended 31 December 2007 are also provided in this statement.

Results of the Company

Revenue for the year, including bank interest, was £2.73m (2006: £2.28m) and following administrative expenses but before unrealised gains and losses, profit amounted to £2.50m (2006: £2.05m). In addition, an investment loss amounting to £15.2m (2006: gain of £49.2m) arising from the measurement of the company's investment in the ordinary shares of DSH at their fair value has been recognised, in accordance with International Financial Reporting Standards. Including this investment loss, total loss before tax was £12.7m (2006: profit of £51.2m). No tax is payable for the period due to the zero income taxation provisions in the Isle of Man. Basic and diluted earnings per share were (36.5p) (2006: 147.9p) including these investment gains, and 7.2p (2006: 5.9p) without it.

The company has valued its shareholding in DSH on the basis of the net asset value of DSH as set out in that company's accounts. DSH's accounts include a valuation of its portfolio of 20 hotels of £531m. The valuation was carried out by Colliers Robert Barry & Co, third party independent valuers, as at 31 December 2007. This translates into a net asset value per share in the capital of DSH of 400p (2006: 492p per share), after allowing for the carried interest attributable to the Founder shares in DSH. This compares with the price of 110p at which the Company last acquired shares in DSH in January 2005.

Dividend

The Company has proposed a final dividend of 4.5p per ordinary share (2006: 4.5p), making a total of 7.2p for the year (2006: 7.15p). The ex-dividend date will be 7 May 2008 and the record date 9 May 2008. Payment will be made to shareholders shortly after the Annual General Meeting on 13 June 2008. This amount reflects the profits for the year before investment gains and tax.

Cheltenham Park Hotel.





Operational Review

Dawnay Shore Hotels plc

Introduction

During 2007 DSH successfully implemented a strategic review, changing its business from being an owner and operator of hotels and becoming solely an owner of hotel property receiving income from property rents. It leased its portfolio of 20 prominent conference and leisure hotels to Barceló Group ("Barceló"), a leading Spanish hospitality company, and transferred the operation of the hotels to Barceló.

As a result, DSH has become a property investment company specialising in hotels. DSH has gained a secure and growing income stream from a blue chip tenant. The Board of DSH envisages that the Company's future growth will come not only from further development of the existing property portfolio, but also from acquiring additional hotels to which a similar approach can be applied. The Board believes that DSH's strategic alliance with Barceló will play an important part in the Company's growth.

Financial Performance

DSH's results for 2007 reflect the changes in its business during the year. The transfer of the business became effective on 6 September 2007. During the period up to that date from 1 January 2007, some eight months, the Company traded as a hotel operator and for the remaining almost four months as a property company. Turnover as a hotel operator excluded the months in the run up to Christmas which is normally the best period for trading. Turnover following the transfer to Barceló is broadly representative of the company's financial position in the first year of the lease and showed the Company generating an operating profit before revaluation of £7.9m.

As discussed below, DSH has had the properties professionally revalued as at 31 December 2007 and, as a result, is now carrying its properties at a total value of £531m. As part of this process, each individual property has been assigned a new value, in some cases eliminating the brought forward valuation surplus and consequently leading to a charge to the profit and loss account. This charge, £7.08m, is a non-cash item which is shown as a "deficit on revaluation". The remainder of the effects of revaluation (a deficit of £18.36m) have been taken against the valuation surplus in the balance sheet, after which the surplus was £149.4m, being the revaluation reserve as at 31 December 2007.

Net interest payable increased by £5.5m, principally because the total borrowings of the Company increased during the year. The additional borrowings were taken on largely to fund capital improvements; details of the major projects are given below. Interest payable also includes payments to bondholders of the Company's deep discounted bonds. Bank borrowings at the end of the year were approximately £337m, 63.5 percent of the value of investment properties held.

Redworth Hall Hotel.





Operational Review continued

Capital Expenditure

During 2007 the Company had an active programme of capital expenditure, both to increase capacity and improve the facilities at its properties. This programme increased the number of rooms during the year from 2,708 to 2,872, representing an increase of 6%. A summary of the major capital projects is given in the following table.

Major capital projects completed in 2007

Hotel	Project
Walton Hall Hotel and Spa, Warwickshire	72 extra bedrooms / new conference centre and upgrade of existing bedrooms/conference facilities and communal facilities.
The Lygon Arms Hotel, Cotswolds	8 extra bedrooms and refurbishment of main hall/ reception/lounges and 13 existing bedrooms.
Majestic Hotel, Harrogate	11 extra bedrooms, new conference room and creation of 4 treatment rooms and refurbishment of conference room
Redworth Hall Hotel, Durham	43 extra bedrooms and refurbishment of 42 existing bedrooms
Shrigley Hall Hotel, Cheshire	Refurbishment of 68 existing bedrooms/reception and investment in golf course.
Imperial Hotel, Blackpool	Refurbishment of 42 bedrooms and corridors
Cheltenham Park Hotel, Cheltenham	Refurbishment of restaurant.
Daventry Hotel, Northamptonshire	17 extra bedrooms and refurbishment of 38 existing bedrooms/restaurant/bar/reception/conference facilities
Hinckley Island Hotel, Leicestershire	13 extra bedrooms and refurbishment of conference rooms

New Leases and Property Revaluation

As mentioned above, DSH's strategic review was successfully concluded with the leasing of its hotels to Barceló Group. The leases place full repairing and insuring obligations on the tenant and provide guaranteed rental growth over the first four years which is inflation-indexed thereafter and can also increase if hotel EBITDA performs well.

For the purposes of preparing its annual financial statements for 2007, DSH has had the property subject to these leases professionally revalued. This portfolio, which excludes land held for non-hotel development, has been re-valued for this purpose at £527m. The Board of DSH considers that the current value of the land held for development is a further £4m.

This new valuation is a reduction of £29m from the valuation of £556m given in August 2007, immediately after the leases were granted. Compared to the general softening in property yields across the UK hotel market this reduction in value of 5.2 per cent acknowledges the secure and growing income stream combined with the strength of the covenant and the attractive inflation-linking features.

Review of Capital Structure and Possible Corporate Reorganisation

When the Company announced the outcome of the strategic review on 24 August 2007, the Board also announced that it intended to review the Company's capital structure. It commented that the secure income generated by the leases offered the opportunity to the Company to increase its borrowing. This would provide an opportunity,





Imperial Hotel, Torquay.

in due course to repay bondholders, fund future capital expenditure and also, possibly, to return further value to shareholders.

During the period since the announcement, the Company has had discussions with banks in order to progress these possibilities. These discussions have not yet been concluded and are continuing.

Development plans

In the past DSH has successfully exploited the potential for gains in value through developing the portfolio by adding extra rooms and conference facilities. This programme is expected to continue and at present DSH has detailed plans to add approximately 800 rooms (over 20 per cent of the current estate) of which 363 rooms have already received planning consent. There are also schemes for 2,500 sq.m (over 50% of which has planning consent) of additional meeting rooms and upgrades for several leisure clubs. The lease agreement provides a formula for these improvements to be added to DSH's rental income. The economics of adding these rooms is highly attractive. The value of the development potential of the portfolio is not typically fully recognised in a professional valuation and DSH therefore believes that fulfilling the programme will add significantly to net asset value.

Strategy and Plans

Having concluded the leases with Barceló, DSH has transformed its financial position. The effect is to increase DSH's net cashflow before interest in the first year of the leases because DSH will no longer bear the overhead costs of the Paramount Group nor (other than an agreed contribution) need to fund maintenance expenditures. Cashflow will grow further in subsequent years according to the leases' formula and is supported by Barceló's strong covenant rather than being dependent on the potential cyclicality of the hotel business.

This gives the Company a strong platform from which to build further growth in value. The most obvious and immediate way to do this is through carrying out the development programme discussed above. Discussions with Barceló indicate that they are also keen to progress these additions, which offer an attractive prospect to both parties to the lease.

There are also a number of possibilities for additions to the current 20 hotel properties in the portfolio. We are conscious that a number of portfolios were marketed over the latter part of 2006 and during 2007 which were not sold. As a major successful hotel property specialist with good access to the financial markets, we remain open to taking advantage of attractive opportunities.





Operational Review continued

The Lygon Arms.

Prospects

The Company is well placed to grow value for shareholders. It has an attractive portfolio of assets which are let to a progressive tenant with a strong covenant. Under the terms of the leases, the rental income will increase to £30m (from £28m) from the beginning of September 2008. If Barceló continues to make progress in improving hotel profitability, and we believe that there are good prospects that they will, this income will begin to rise rapidly after two further years, but is in any event inflation linked (UK RPI) after the fourth year. There are also good prospects for increasing rental income by carrying out the Company's development programme.

Annual General Meeting

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

Barclay Douglas
Chairman
29 April 2008





Investment Property Overview

CENTRAL ENGLAND

1. Billesley Manor Hotel
2. Cheltenham Park Hotel, Cheltenham
3. Daventry Hotel, Northamptonshire
4. Hinckley Island Hotel, Leicestershire
5. Oxford Hotel, Oxford
6. Palace Hotel, Buxton
7. Walton Hall Hotel & Spa
8. The Lygon Arms

NORTHERN ENGLAND

9. Imperial Hotel, Blackpool
10. Majestic Hotel, Harrogate
11. Redworth Hall Hotel, County Durham
12. Shrigley Hall Hotel, Golf & Country Club, Cheshire

SCOTLAND

13. Carlton Hotel, Edinburgh
14. Marine Hotel, Troon
15. Stirling Highland Hotel, Stirling

SOUTHERN ENGLAND

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

WALES

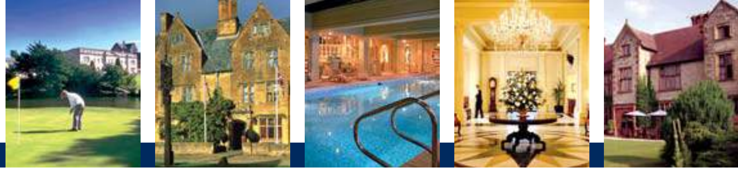
20. Angel Hotel, Cardiff





Directors and Advisers

Directors	James Barclay Douglas CA LLB (Chairman) Derek William Short FCIB MSI FinstD David Peter Craine F.C.A J.P Donald Lindsay Adamson MA MSI-(resigned 1 June 2007)
Registered Office	Burleigh Manor, Peel Road, Douglas Isle of Man IM1 5EP
Company Secretary	David Peter Craine Burleigh Manor, Peel Road, Douglas Isle of Man IM1 5EP
Nominated Adviser	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
Stockbroker	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU
Solicitors to the Company	SJ Berwin 222 Gray's Inn Road London WC1X 8XF
Isle of Man Advocates to the Company	Dickinson Cruickshank 33 Athol Street Douglas Isle of Man IM1 1LB
Auditors	Deloitte & Touche Grosvenor House Athol Street Douglas Isle of Man IM99 1XJ
Registrars & Crest Service Provider	Computershare Investors Services PLC PO Box 83 Ordnance House 31 Pier Road St Helier Jersey JE4 8PW
Isle of Man Administration	Peregrine Corporate Services Limited Burleigh Manor, Peel Road, Douglas Isle of Man IM1 5EP



Directors' Biographies

James Barclay Douglas LLB CA (age 52)

Barclay operates as a professional non-executive Director for both public and private companies and provides advisory services to private companies who are seeking to raise capital. He is also an active investor in private companies.

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

He is a Chairman of Cascade Care Group and is a non-executive Director of Shore Capital Group plc and Third Advance Value Realisation Company Limited.

David Craine FCA JP (age 53)

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 betinternet.com plc which is an AIM listed company.

Derek Short FCIB MSI FinstD (age 65)

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.





Directors' Report

The Directors present their annual report and the audited financial statements for the year to 31 December 2007.

Principal Activity

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

Business Review

A review of the business of the Company, including a list of the principal risks and uncertainties facing the Company, is set out in the Chairman's Report on pages 2 to 6.

Details of significant events since the balance sheet date being dividends proposed are contained in note 17 to the financial statements.

Results and dividends

During the year the Company made a loss of £12,653,000 (2006 profit of £51,215,000) which has been transferred to reserves. Dividends paid of £2,492,571 (2006 - £2,025,214) are detailed at Note 9.

Directors

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

			Appointed	Resigned
J. B. Douglas	Chairman	Non-Executive	14 Jun 04	
D. L. Adamson		Non-Executive	14 Jun 04	1 Jun 07
D. W. Short		Non-Executive	14 Jun 04	
D. P. Craine		Non-Executive	27 Jan 05	

David Craine 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 2007 had interests in the shares of the Company;

Ordinary Shares of 5 Pence

	31 December 2007		31 December 2006	
Director	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
Barclay Douglas	**100,000**	**–**	100,000	–
Derek Short	**10,000**	**–**	10,000	–

There was no change in these holdings between 31 December 2007 and 14 April 2008.

Substantial Shareholdings

On 14 April 2008 the Company had been notified of the following interests in the ordinary share capital of the Company.

Name of Holder	Number	Percentage Held
Pershing Keen Nominees	8,396,844	24.25
Nortrust Nominees	8,251,688	23.83
Chase Nominees	4,599,186	13.29
HSBC Global Custody Nominee (UK)	3,516,474	10.15
Bank of New York (Nominees)	2,018,333	5.83

Auditors

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

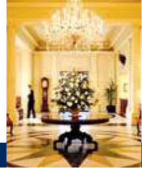
Registered Office

Burleigh Manor
Peel Road
Douglas
Isle of Man
IM1 5EP

By Order of the Board

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




Corporate Governance Statement

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

Although the Company's shares have been admitted on to the Alternative Investment Market and the Company is not required to comply with the Combined Code, the Board monitors the Company's established procedures and continues, as far as possible, to comply with the Code to the extent that it is appropriate for the size and stage of development of the Company.

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

Internal Control

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

Relations with Shareholders

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

Directors' Remuneration

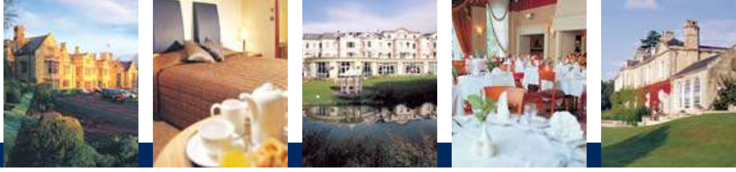
All Board members are non-executive Directors. Fees paid in the year are disclosed below.

	2007 £'000	2006 £'000
Barclay Douglas (Chairman)	**35**	31
Donald Adamson	**9**	21
Derek Short	**23**	21
David Craine	**8**	3
Irrecoverable Value Added Tax	**6**	5
Total	**81**	81

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

The Company has no share option or pension schemes.

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



Statement of Directors' Responsibilities

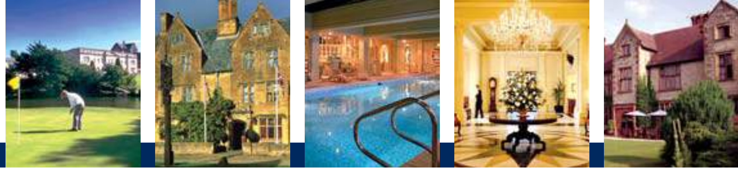
The directors are responsible for preparing the Annual Report and financial statements. The directors have elected to prepare financial statements of the Company in accordance with International Financial Reporting Standards ("IFRS"). Isle of Man company law requires the directors to prepare such financial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

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

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

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

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



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

We have audited the financial statements ("the financial statements") of The Hotel Corporation Plc for the year ended 31 December 2007 which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs at 31 December 2007 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1931 to 2004.

Deloitte & Touche
Chartered Accountants
Douglas
Isle of Man

29 April 2008

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

Legislation in the Isle of Man governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.





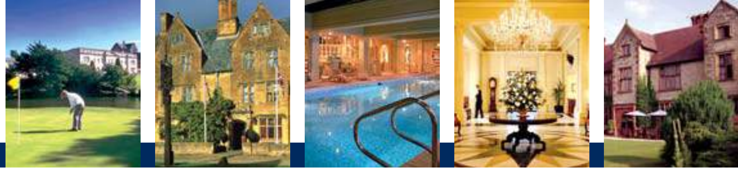
Income Statement

31 December 2007

	Notes	2007 £'000	2006 £'000
Continuing Operations			
Revenue	4	**2,615**	2,185
Administrative expenses		**(226)**	(231)
Profit from operations	7	**2,389**	1,954
Bank interest receivable	5	**111**	92
Investment (losses)/gains – unrealised	5	**(15,153)**	49,169
(Loss)/Profit before tax		**(12,653)**	51,215
Taxation	8	**–**	–
(Loss)/Profit after tax for the year from continuing operations		(12,653)	51,215

Earnings Per Share		2007	2006
Basic and diluted	10	**(36.5p)**	147.9p

Dividends		2007 £'000	2006 £'000
Paid	9	**2,493**	2,025
Proposed	17	**1,558**	1,558



Balance Sheet

31 December 2007

	Notes	2007 £'000	2006 £'000
ASSETS			
Non-Current Assets			
Investments	11	**82,823**	97,976
Current Assets			
Trade and other Receivables	12	**10**	10
Cash and Cash Equivalents	2	**2,332**	2,321
		2,342	2,331
Total Assets		**85,165**	100,307
EQUITY & LIABILITIES			
Capital & Reserves			
Share Capital	14	**1,731**	1,731
Share Premium Account		**33,300**	33,300
Retained Earnings		**50,106**	65,252
		85,137	100,283
Current Liabilities			
Trade and other payables	15	**28**	24
Total Equity & Liabilities		**85,165**	100,307

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2008.

They were signed on its behalf by:

Barclay Douglas
Director

David Craine
Director





Statement of Changes in Equity

31 December 2007

	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total £'000
Balance at 31 December 2005	**1,731**	**33,308**	**16,062**	**51,101**
Profit for Year	–	–	51,215	51,215
Preliminary Expenses	–	(8)	–	(8)
Dividend	–	–	(2,025)	(2,025)
Balance at 31 December 2006	**1,731**	**33,300**	**65,252**	**100,283**
Loss for Year	–	–	(12,653)	(12,653)
Dividend	–	–	(2,493)	(2,493)
Balance at 31 December 2007	**1,731**	**33,300**	**50,106**	**85,137**

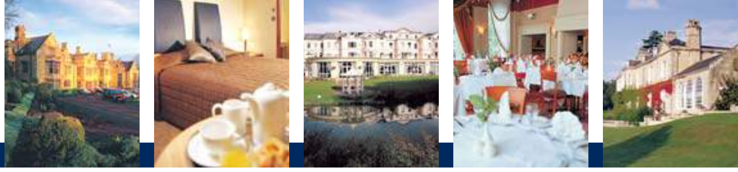




Cash Flow Statement

31 December 2007

	Notes	2007 £'000	2006 £'000
Net Cash Inflow/(Outflow) From Operating Activities	16	**407**	(41)
Investing Activities			
Interest Received		**111**	92
Proceeds received on the maturity of Investments		**1,986**	1,986
Net cash from Investing Activities		**2,097**	2,078
Financing Activities			
Preliminary Expenses		**–**	(8)
Dividends Paid		**(2,493)**	(2,025)
Net cash used in Financing Activities		**(2,493)**	(2,033)
Net increase in cash and cash equivalents		**11**	4
Cash and cash equivalents at beginning of year		**2,321**	2,317
Cash and cash equivalents at end of year		**2,332**	2,321



Notes to the Financial Statements

31 December 2007

1. General Information

The Hotel Corporation plc is incorporated in the Isle of Man under the Companies Acts 1931 to 2004. The address of the registered office is given on page 8. The nature of the Company's operations and its principal activities are set out in the Directors' Report on pages 10 and 11 and the Chairman's Statement on pages 2 to 6.

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

2. Significant Accounting Policies

Basis of accounting

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

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

Capital Management Policies

The Company manages its capital to ensure that it will be able to settle its liabilities as they fall due. The capital structure of the Company consists of cash and cash equivalents, as disclosed in note 2, and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings are as disclosed on page 16.

The Company is not subject to externally imposed capital requirements.

Financial Risk Management Policies

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

- Credit risk
- Liquidity risk
- Market risk

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

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

Adoption of New and Revised Standards

Standards and Interpretations Effective in the Current Period

In the current period, the Company has adopted IFRS 7: Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the subsequent amendments to IAS 1: Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Company's financial instruments and management of capital.

Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. However, none of these interpretations are applicable to this Company.





2. Significant Accounting Policies continued

Early Adoption of Standards and Interpretations
The Company has not early adopted any standards or interpretations.

Accounting Standards and Interpretations Issued but not yet Effective
The Company has not identified any accounting standards or interpretations issued, but not yet effective, that will have a material impact on the Company's financial statements in the future.

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

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

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

Retirement Benefit Costs
The Company has no retirement benefit or pension schemes in operation and therefore there is no cost nor future obligation.

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

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

Other Investments
Other investments are designated as Fair Value through Profit or Loss and are measured at subsequent reporting dates at their fair value. For investments designated as Fair Value through Profit or Loss Investments, gains and losses arising from changes in fair value are included in the income statement for the year. Fair Value is considered to be the Company's share of the net assets of DSH as at the balance sheet date less any allowance for the interest of Founder Shareholders in DSH

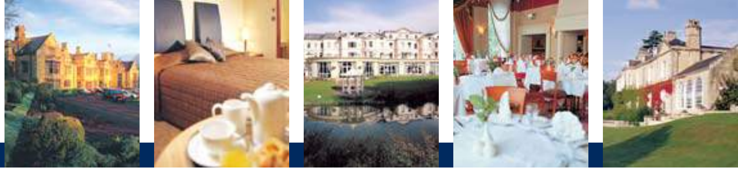
Cash and cash equivalents
Cash and cash equivalents comprise cash on hand or demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change of value.

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

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

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

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



Notes to the Financial Statements continued

31 December 2007

2. Significant Accounting Policies continued

Use of Estimates

The preparation of the Company's financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies at the date of the Company's financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimated.

Significant estimates in the Company's financial statements include the amounts recorded for the fair value of the investments. By their nature, these estimates and assumptions are subject to measurement uncertainty and the effect on the Company's financial statements of changes in estimates in future periods could be significant.

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

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

Fair Value of Investments

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

4. Revenue

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

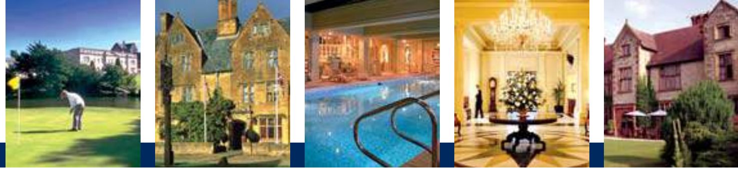
	2007 £'000	2006 £'000
Amortisation of discount on investments (note 11)	**1,986**	1,986
Dividends Received	**629**	199
	2,615	2,185

5. Investment Income

	2007 £'000	2006 £'000
Bank Interest	**111**	92
Investment (losses)/gains (unrealised) (note 11)	**(15,153)**	49,169
	(15,042)	49,261

6. Business and Geographical Segments

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



7. Profit from Operations

	2007 £'000	2006 £'000
Profit from operations has been arrived at after charging:		
Directors' fees	**81**	81
Auditors' remuneration – audit services – current year	**26**	23
– prior period	**–**	–

The Company has had no employees in 2007 and 2006.

8. Taxation

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

9. Dividends

On 20 April 2007 the Company announced a dividend of 4.5 pence per share in respect of the year to 31 December 2006. The dividend, which amounted to £1,557,857 was paid on 24 May 2007.

The Company declared an interim dividend of 2.7 pence per ordinary share on 20 September 2007. The dividend which amounted to £934,714 was paid on 22 October 2007.

A final dividend of 4.5 pence per share has been proposed (Note 17).

10. Earnings per Share

	2007	2006
Basic and Diluted Earnings per Share	**(36.5p)**	147.9p
This comprises:		
Basic and diluted earnings per share from operations and bank interest	**7.2p**	5.9p
Basic and diluted earnings per share from investment (losses)/gains	**(43.7p)**	142.0p

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

	2007 £'000	2006 £'000
Earnings		
Profit from Operations	**2,389**	1,954
Bank Interest	**111**	92
	2,500	2,046
Investment (Losses)/Gains	**(15,153)**	49,169
Net (Loss)/Profit for Year	**(12,653)**	51,215

	2007	2006
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**34,619,050**	34,619,050

There were no convertible instruments in existence as at 31 December 2007 and therefore diluted earnings per share does not differ from the basic earnings per share.





Notes to the Financial Statements continued

31 December 2007

11. Investments

Classified as:	2007	2006
	£'000	£'000
Fair Value through Profit or Loss Investments	**66,273**	81,426
Held to Maturity	**16,550**	16,550
	82,823	97,976

Fair Value through Profit or Loss Investments

	2007 £'000	2006 £'000
Unlisted Investments at Fair value		
Fair value at start of Year	**81,426**	32,257
(Decrease)/Increase in fair value (note 5)	**(15,153)**	49,169
Fair Value at 31 December	**66,273**	81,426

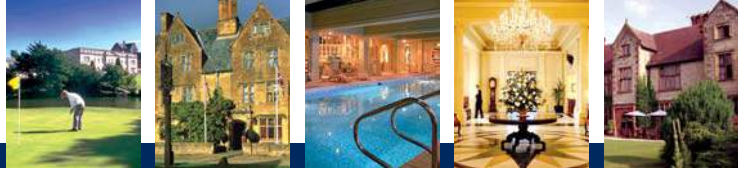
The unlisted investment shown above represents a holding of 16,550,000 ordinary shares of £1 par value in Dawnay Shore Hotels plc, which comprises 49.92% of the issued share capital of that company, which is incorporated and registered in the United Kingdom. Investments in the ordinary shares of Dawnay Shore Hotels plc ("DSH") held at the balance sheet date are measured at their fair value.

In determining the fair value attributable to the ordinary shares in DSH, the Directors have drawn upon the net asset value of DSH as set out in the financial statements of that company and have utilised that net asset value for each ordinary share held in DSH by the Company, making an appropriate adjustment for the carried interest attributable to the founder shares in DSH (as defined in the Hotel Corporation plc prospectus issued on 9th July 2004). The financial statements of DSH include an external valuation of the freehold and long leasehold properties, subject to and with the benefit of the leases granted to Barceló, performed by Colliers, Robert Barry & Co, Chartered Surveyors as at 31 December 2007.

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

Investments held to maturity

	2007 £'000	2006 £'000
Cost and net book value		
At Start of Period	**16,550**	16,550
Additions	**–**	–
Amortisation of discount (note 4)	**1,986**	1,986
Matured during year	**(1,986)**	(1,986)
At 31 December	**16,550**	16,550



11. **Investments** continued

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

The maturity profile of the bonds held at 31 December 2007 is shown below:

	Nominal Value	
	2007	2006
	£'000	£'000
Maturing		
Within one year	**1,986**	1,986
One to two years	**17,543**	1,986
Two to three years	**–**	17,543
Total	**19,529**	21,515

12. Trade and Other Receivables

	2007	2006
	£'000	£'000
Prepayments	**10**	8
Receivables	**–**	2
	10	10

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

13. Risk Management Policies

Credit Risk

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

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

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

Liquidity Risk

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

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

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





Notes to the Financial Statements continued

31 December 2007

13. Risk Management Policies continued

Market Risk

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

- Interest rate risk

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

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

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

- Other price risk

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

For further analysis of the Company's Risk Managements Policies refer to note 19.

14. Share Capital

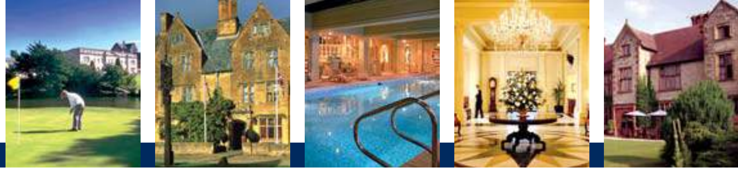
	2007 Number	**2007 £'000**	2006 Number	2006 £'000
Authorised: Ordinary Shares of £0.05				
As at 31 December	**80,000,000**	**4,000**	80,000,000	4,000

	2007 Number	**2007 £'000**	2006 Number	2006 £'000
Issued: Ordinary Shares of £0.05				
Balance at Start of Year	**34,619,050**	**1,731**	34,619,050	1,731
As at 31 December	**34,619,050**	**1,731**	34,619,050	1,731

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

15. Trade and Other Payables

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



16. Notes to the Cashflow Statement

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

	2007 £'000	2006 £'000
Profit from Operations	**2,389**	1,954
Decrease in Receivables	**–**	9
Increase (Decrease) in Trade and other payables	**4**	(18)
Amortisation of Discount on Purchase of investments	**(1,986)**	(1,986)
Net cash inflow (outflow) from operating activities	**407**	(41)

Net cash inflows from operating activities includes cash from dividends received of £628,900 (Note 4).

17. Events after the Balance Sheet Date

On 29 April 2008 the Company proposed a dividend of 4.5 pence per share. The ex-div date will be 7 May 2008 and a record date of 9 May 2008. Payment will be made to shareholders on 16 June 2008.

18. Related Party Transactions

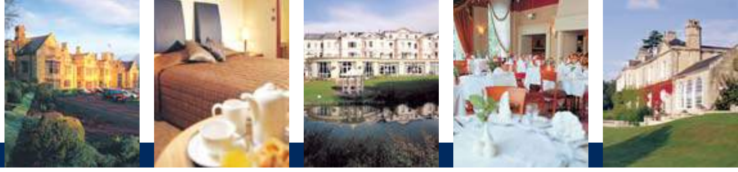
Ultimate Controlling Party
In the opinion of the Directors there is no ultimate controlling party.

Key Management Compensation
The remuneration of the Directors who are the key management personnel, is set out below:

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

Barclay Douglas is a non-executive director of Shore Capital Group plc who act both as Nominated Advisers and Stockbrokers to the Company, and to whom fees including VAT amounting to £23,500 (2006 – £23,500) in respect of acting as Nominated Adviser were paid during the year.

David Craine is a Director of Peregrine Corporate Services Limited, (PCS) the Company which provides accountancy, administration and secretarial services to The Hotel Corporation plc. Fees including VAT of £32,113 (2006 – £39,450) were paid to PCS during the year.



Notes to the Financial Statements continued

31 December 2007

19. Financial Exposures

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

a) Exposure to Credit Risk

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

	2007 £'000	2006 £'000
Cash and cash equivalents	**2,332**	2,321
Fair value through profit or loss	**66,885**	81,426
Held to maturity	**16,550**	16,550
	85,767	100,297

Cash and cash equivalents

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

Fair value through profit or loss

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

Held to maturity

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

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

b) Exposure to liquidity risk

The following are the contractual maturities of financial liabilities:

31 December 2007

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

31 December 2006

	Carrying amount £'000	**3 months or less**	**3 – 12 months**	**Greater than 12 months**	**Total**
Non-derivative financial liabilities					
Trade and other payables	24	24	–	–	24
	24	**24**	**–**	**–**	**24**





19. Financial Exposures continued

c) Exposure to currency

The Company has no exposure to currency risk.

d) Sensitivity analysis-interest rate risk

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

	2007 £'000	2006 £'000
Short Term Fixed Deposit	**2,332**	2,321

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2006.

2007
£'000's

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

2006
£'000's

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





Appendix to the Annual Report

Information relating to Dawnay Shore Hotels plc. (“DSH”)

The profit and loss account of DSH for the period ended 31 December 2007 together with the balance sheet of DSH as at 31 December 2007 is provided below and have been prepared in accordance with applicable United Kingdom accounting standards. These are extracted from the audited financial statements of DSH as at 31 December 2007.

Dawnay Shore Hotels plc
Consolidated Profit and Loss Account
Period ended 31 December 2007

	Discontinued activities £’000	**Continuing activities £’000**	**Period ended 31 December 2007 £’000**	Period ended 31 December 2006 £’000
Turnover	67,649	9,342	**76,991**	101,228
Cost of sales	(8,028)	–	**(8,028)**	(12,166)
Gross Profit	**59,621**	**9,342**	**68,963**	89,062
Administrative expenses	(56,463)	(1,433)	**(57,896)**	(70,334)
Administrative expenses - exceptional (Deficit on revaluation of properties)	–	(7,077)	**(7,077)**	–
Operating Profit	3,158	832	**3,990**	18,728
Loss on sale of fixed assets			**(116)**	(2)
			3,874	18,726
Interest receivable and similar income			**140**	160
Interest payable and similar charges			**(29,160)**	(23,622)
Loss on Ordinary Activities before Taxation			**(25,146)**	(4,736)
Tax on loss on ordinary activities			**8,018**	1,474
Loss for the Financial Period			**(17,128)**	(3,262)
Equity dividend paid			**(1,260)**	(398)
Retained Loss for the Financial Period			**(18,388)**	(3,660)





Dawnay Shore Hotels plc
Consolidated and Company Balance Sheet
31 December 2007

	Group As at 31 December 2007 £'000	Company As at 31 December 2007 £'000	Group As at 31 December 2006 £'000	Company As at 31 December 2006 £'000
Fixed assets				
Intangible assets – goodwill	**9,002**	**–**	9,523	–
Tangible assets	**531,060**	**–**	527,550	–
Investments	**–**	**469,668**	–	105,537
	540,062	**469,668**	537,073	105,537
Current Assets				
Stocks	**–**	**–**	862	–
Debtors	**819**	**150,444**	9,995	223,571
Cash at bank and in hand	**6,979**	**6,535**	2,407	–
	7,798	**156,979**	13,264	223,571
Creditors: amounts falling due within one year	**(24,129)**	**(1,054)**	(22,947)	(65,215)
Net Current (Liabilities)/Assets	**(16,331)**	**155,925**	(9,683)	158,356
Total Assets Less Current Liabilities	**523,731**	**625,593**	527,390	263,893
Creditors: amounts falling due after more than one year	**(362,496)**	**(288,952)**	(321,389)	(218,829)
Provision for Liabilities and Charges	**(3)**	**–**	(8,021)	–
Net Assets	**161,232**	**336,641**	197,980	45,064
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	**149,425**	**–**	168,043	–
Profit and loss account	**(21,988)**	**302,846**	(3,858)	11,269
Equity Shareholders' Funds	**161,232**	**336,641**	197,980	45,064





Dawnay Shore Hotels plc
Consolidated Statement of Total Recognised Gains and Losses
Period ended 31 December 2007

	Period ended 31 December 2007 £'000	Period ended 31 December 2006 £'000
Retained loss for the financial period	**(17,128)**	(3,660)
Unrealised (deficit)/surplus on revaluation of properties	**(18,360)**	137,022
Total recognised gains and losses relating to the period	**(35,488)**	133,362

Note of Consolidated Historical Cost Profits and Losses
Period ended 31 December 2007

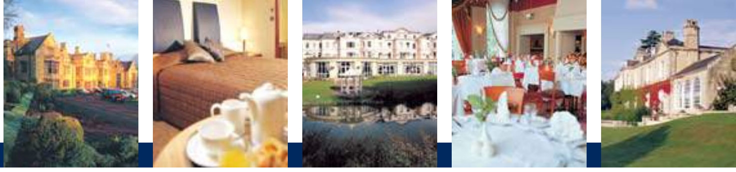
	Period ended 31 December 2007 £'000	Period ended 31 December 2006 £'000
Reported loss on ordinary activities before taxation	**(25,146)**	(4,736)
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	**258**	159
Historical cost loss on ordinary activities before taxation	**(24,888)**	(4,577)
Historical cost loss for the year retained after taxation and dividends	**(18,130)**	(3,501)





Dawnay Shore Hotels plc
Consolidated Cash Flow Statement
Period ended 31 December 2007

	Period ended 31 December 2007 £'000	Period ended 31 December 2006 £'000
Net cash inflow from operating activities	**23,947**	24,530
Returns on investments and servicing of finance		
Interest received	**140**	160
Interest paid	**(18,059)**	(19,488)
Interest paid on finance leases	**(36)**	(57)
Dividends paid	**(1,260)**	(398)
Net cash outflow from returns on investments and servicing of finance	**(19,215)**	(19,783)
Taxation		
Corporation tax paid	**–**	–
Capital expenditure		
Purchase of tangible fixed assets	**(35,485)**	(23,169)
Sale of tangible fixed assets	**226**	34
Net cash outflow from capital expenditure and financial investment	**(35,259)**	(23,135)
Acquisitions		
Purchase of subsidiary undertakings	**–**	(197)
Net cash outflow from acquisitions	**–**	(197)
Net cash outflow before financing	**(30,527)**	(18,585)
Financing		
New term loans raised	**105,626**	17,802
New loan note issued	**–**	114
Term loans repaid	**(63,033)**	–
Bonds repaid	**(2,751)**	(3,091)
Loan notes repaid	**(3,709)**	–
New term loan issue costs	**(663)**	–
Repayment of principal under finance leases	**(371)**	(307)
Net cash inflow from financing	**35,099**	14,518
Increase/(decrease) in cash	**4,572**	(4,067)



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 13 June 2008 at 10.00 am.

Agenda

1. To receive and, if approved, adopt the Report of the Directors and the Financial Statements for the year ended 31 December 2007, together with the Report of the Independent Auditors.

2. To declare a final dividend for the year ended 31 December 2007.

3. To re-appoint Director: David Craine who retires by rotation and, being eligible, offers himself for re-appointment; and

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

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

To invest in 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 posses 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 5,189,395;

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 30th September 2009 but not as to prejudice the completion of a purchase contracted before that date.

7. To adopt the following Special Resolution:

That, to enable the sums standing to the credit of its Share Premium Account to be transferred to distributable reserves, and subject to Section 56 of the Companies Act 1931, the Company cancels its Share Premium Account.

We enclose:

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

Please return the completed forms, as appropriate.

On behalf of the Board

David Peter Craine
Company Secretary
29 April 2008

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