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LADBROKE (RENTALS) LIMITED

**DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2001**



DIRECTORS' REPORT - YEAR ENDED 31 DECEMBER 2001

Directors: N T Earp (resigned 6 November 2001)
 P C Gosling (resigned 30 September 2001)
 S Humphreys (appointed 30 September 2001)
 D L M Taljaard
 A R Wyatt (appointed 30 September 2001)

Secretary: Ladbroke Corporate Secretaries Limited

Registered Office: Maple Court, Central Park, Reeds Crescent, Watford,
 Hertfordshire WD24 4QQ

Company No: 408492

The directors have pleasure in presenting their report and the company's accounts for the year ended 31 December 2001.

ACCOUNTS AND DIVIDENDS

The accounts for the year show a profit after taxation of £ 1,493,420 (2000 : £1,696,934).

The directors recommend no dividend.

During the year the company received and paid rent on its leasehold properties.

The principal activity of the company during the year continued to be property investment.

DIRECTORS' REPORT - YEAR ENDED 31 DECEMBER 2001

DIRECTORS

The directors during the year ended 31 December 2001 are shown above.

DIRECTORS' INTERESTS

All the directors at 31 December 2001 were also directors of Ladbroke Group Properties Limited at that date and were not required to notify the company of any interest, in any shares or debentures.

By Order of the Board

FOR AND ON BEHALF OF
LADBROKE (RENTALS) LIMITED
SECRETARIES LIMITED

T. Livesey

Ladbroke Corporate Secretaries Limited
Secretary

18 JUL 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ACCOUNTS

The following statement, which should be read in conjunction with the statement of auditors' responsibilities set out on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for the financial year.

The directors consider that in preparing the accounts on pages 6 to 14 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed, subject to any explanations and any material departures disclosed in the notes to the accounts.

The accounts have been prepared on a going concern basis as the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them and which they deem appropriate to safeguard the assets of the company and to seek to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LADBROKE (RENTALS) LIMITED

We have audited the company's financial statements for the year ended 31 December 2001 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 17.

These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements in it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 company's circumstances, 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 of the state of affairs of the company as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

19 July 2002

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001 £	2000 £
TURNOVER	2	2,443,260	1,116,113
Cost of sales		(2,862,012)	(1,205,509)
Gross loss		(418,752)	(89,396)
Administrative expenses		(65,019)	(41,503)
Transfer from property provision	4	429,464	219,923
OPERATING (LOSS)/PROFIT	3	(54,307)	89,024
Interest receivable	5	1,547,947	1,607,910
Interest payable and similar charges	6	(220)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,493,420	1,696,934
Tax on ordinary activities	8	-	-
RETAINED PROFIT FOR THE FINANCIAL YEAR	13	1,493,420	1,696,934

Turnover and operating (loss)/profit derive entirely from continuing operations.

There are no recognised gains or losses other than the profit for the year.

Movements on reserves are shown in note 13.

BALANCE SHEET AT 31 DECEMBER 2001

	Note	2001 £	2000 £
CURRENT ASSETS			
Debtors	9	30,682,374	26,326,462
Cash at bank and in hand		148,748	99,168
		<hr/>	<hr/>
		30,831,122	26,425,630
CREDITORS - amounts falling due within one year	10	(2,524,601)	(697,416)
		<hr/>	<hr/>
NET CURRENT ASSETS		28,306,521	25,728,214
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		28,306,521	25,728,214
Provision for liabilities and charges	4	(3,745,907)	(2,661,020)
		<hr/>	<hr/>
		24,560,614	23,067,194
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	13	1,000	1,000
Profit and loss account	13	24,559,614	23,066,194
		<hr/>	<hr/>
Equity shareholders' funds	13	24,560,614	23,067,194
		<hr/>	<hr/>



D L M Taljaard
Director

18 JUL 2002

NOTES TO THE ACCOUNTS - 31 DECEMBER 2001

1. ACCOUNTING POLICIES**(a) Basis of accounting**

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and have been prepared in accordance with applicable UK accounting standards.

(b) Property disposals

Profits from the disposal of investment and dealing properties are included where contracts have been exchanged during the accounting period and completion has taken place before or shortly after the period end.

On disposal of an investment property, any revaluation surplus or deficit is transferred from the revaluation reserve to the profit and loss account reserve. The profits on disposal of investment properties are calculated by reference to revalued amounts.

(c) Deferred taxation

No provision for deferred taxation has been made, as an undertaking has been received from the company's ultimate holding company, Hilton Group plc, that the latter will assume all liabilities for taxation, including those amounts arising as a result of the reversal of timing differences.

(d) Leases

Rental income and expenditure under operating leases are charged, on a straight line basis, to the profit and loss account over the lease term.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2001

2. TURNOVER

Turnover which represents the value, excluding value added tax, of rental income arose wholly in the United Kingdom.

3. OPERATING (LOSS)/ PROFIT IS STATED AFTER:

	2001	2000
	£	£
Charging:		
Leasehold property rents	2,584,171	1,156,533
	<hr/>	<hr/>

The audit fees for 2001 and 2000 have been borne by another group undertaking.

	2001	2000
	£	£
Crediting:		
Rent receivable	2,428,260	983,613
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS - 31 DECEMBER 2001

4. PROPERTY PROVISION

In 1996 Hilton Group plc, the company's parent company, accounted for its property division as a discontinued activity. Accordingly provisions were made in the 1996 accounts for the anticipated costs, net of income of all residual lease liabilities up to the lease expiry date.

A review of these provisions is carried out each year and adjusted for any anticipated additional or reduction in cost, and provisions released as required. The net release of the provision has been included in the profit and loss account.

The movements on the property provision are as follows:

	2001		2000	
	£	£	£	£
At 1 January		2,661,020		2,916,372
Provisions transferred (to)/ from fellow subsidiary undertaking		1,515,767		(35,429)
Transfer (to)/from other creditors		(1,416)		-
New Provision		-		-
Utilisation of provision	(429,464)		(219,923)	
Movement recorded in profit and loss account		(429,464)		(219,923)
At 31 December		3,745,907		2,661,020

5. INTEREST RECEIVABLE

	2001 £	2000 £
From fellow subsidiary undertakings	1,547,947	1,606,861
From third parties	-	1,049
	<u>1,547,947</u>	<u>1,607,910</u>

NOTES TO THE ACCOUNTS - 31 DECEMBER 2001

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
To third parties	220	-
	<u>220</u>	<u>-</u>

7. DIRECTORS AND EMPLOYEES

(a) Directors' Emoluments

The directors' emoluments are borne entirely by other group undertakings and it is not practicable to estimate what portion of their emoluments are attributable to this subsidiary. The directors, four of whom were members of the Hilton Group Pension Plan, a defined benefit scheme, received total remuneration for the year of £650,247, including £116,000 for loss of office (2000 - £788,704).

(b) Staff costs and numbers

All operations of the company are undertaken by employees of other group undertakings and their respective emoluments have not been included in these accounts.

8. TAXATION

No provision has been made in these accounts for U.K. corporation tax, as an undertaking has been received from its ultimate holding company, Hilton Group plc, that the latter will assume all liabilities for any such taxation.

9. DEBTORS

	2001 £	2000 £
Amounts falling due within one year:		
Trade debtors	354,923	172,043
Amounts due from fellow subsidiary undertakings (note 11)	29,344,716	25,533,089
Other debtors	425,937	195,300
Prepayments and accrued income	556,798	410,443
VAT and other tax	-	15,587
	<u>30,682,374</u>	<u>26,326,462</u>

NOTES TO THE ACCOUNTS - 31 DECEMBER 2001

10. CREDITORS

	2001 £	2000 £
Amounts falling due within one year:		
Trade creditors	146,051	191,598
Amounts due to fellow subsidiary undertakings (note 11)	1,474,860	43,438
Other creditors	259,171	116,232
Accruals and deferred income	557,150	345,812
Value added and Other tax	87,369	336
	<u>2,524,601</u>	<u>697,416</u>

11. AMOUNTS DUE TO / FROM FELLOW SUBSIDIARY UNDERTAKINGS

Amounts due to and from fellow subsidiary undertakings are included under amounts falling due within one year where there are no specified terms as to their repayment and recoverability. While amounts due to group undertakings are technically repayable on demand and hence are included in creditors falling due within one year, the directors are of the opinion that, in the ordinary course of business, repayment within such a timescale would not be required.

12. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised, allotted, called up and fully paid 1000 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

NOTES TO THE ACCOUNTS – 31 DECEMBER 2001

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit & loss account £	Total £
At 1 January 2000	1,000	21,369,260	21,370,260
Profit for the year	-	1,696,934	1,696,934
At 1 January 2001	1,000	23,066,194	23,067,194
Profit for the year	-	1,493,420	1,493,420
As at 31 December 2001	1,000	24,559,614	24,560,614

14. FINANCIAL COMMITMENTS

- (a) No future capital expenditure had been authorised at the year end (2000 - £ nil).
- (b) The annual commitment under non-cancelable operating leases for land and buildings at 31 December 2001 was as follows:

	2001 £	2000 £
Lease expiring:		
Within one year	16,550	-
Within two to five years	471,386	252,876
Thereafter	1,936,431	1,383,892
At 31 December 2001	2,424,367	1,636,768

NOTES TO THE ACCOUNTS - 31 DECEMBER 2001**15. CONTINGENT LIABILITIES**

The company has jointly and severally guaranteed the value added tax liability of certain other Hilton Group undertakings within the group registration, amounting to approximately £13,043,347 at 31 December 2001 (2000: £12,285,405).

Under the terms of cross guarantees agreements, the company has jointly and severally guaranteed the liabilities of certain other Hilton Group companies in respect of their current accounts held with UK clearing banks. The amounts under the guarantees are limited to any credit balances on current accounts held by the company with these banks. At 31 December 2001 the aggregate amount of such credit balance was £ 991 (2000 : £223)

16. CASH FLOW STATEMENT

The company has taken advantage of the provision of FRS 1 which exempts subsidiaries from preparing a cash flow statement where 90% or more of the voting rights are controlled within the group. The ultimate parent company Hilton Group plc has included the required consolidated cash flow statement within its consolidated financial statements.

17. ULTIMATE PARENT UNDERTAKING

The parent company is Ladbroke Group Properties Limited, the ultimate parent company is Hilton Group plc, companies registered in England and Wales, the accounts of which are available from the registered office of those companies at Maple Court, Central Park, Reeds Crescent, Watford, Hertfordshire WD24 4QQ.

Hilton Group plc is the parent undertaking of the only group of undertakings for which group accounts are prepared and of which the company is a member.

The company has taken advantage of FRS8, which exempts subsidiaries, 90% or more of whose voting rights are controlled within the group, from disclosing transactions with other entities within the group. The ultimate parent undertaking, Hilton Group plc, has included the required related party disclosures within its group accounts.