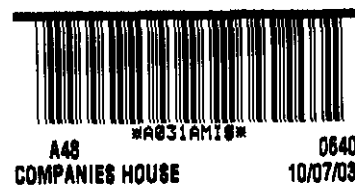


408492

LADBROKE (RENTALS) LIMITED

**DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2002**



DIRECTORS' REPORT - YEAR ENDED 31 DECEMBER 2002

Directors: S Humphreys
D L M Taljaard
A R Wyatt

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 2002.

ACCOUNTS AND DIVIDENDS

The accounts for the year show a profit after taxation of £488,903 (2001 : £1,493,420).

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

The directors during the year ended 31 December 2002 are shown above.

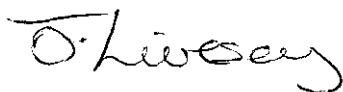
DIRECTORS' INTERESTS

All the directors at 31 December 2002 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.

AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By Order of the Board



Ladbroke Corporate Secretaries Limited
Secretary

FOR AND ON BEHALF OF
LADBROKE CORPORATE
SECRETARIES LIMITED

01 MAY 2003

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 4, 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 5 to 13 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 2002 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.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

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 information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within 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 2002 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
Date

1 May 2003

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 £	2001 £
TURNOVER	2	2,337,749	2,443,260
Cost of sales		(2,692,049)	(2,862,012)
Gross loss		(354,300)	(418,752)
Administrative expenses		(85,015)	(65,019)
Transfer from property provision	4	(444,398)	429,464
OPERATING LOSS	3	(883,713)	(54,307)
Dividend received		77,759	-
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(805,954)	(54,307)
Interest receivable	5	1,294,857	1,547,947
Interest payable and similar charges	6	-	(220)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		488,903	1,493,420
Tax on ordinary activities	8	-	-
RETAINED PROFIT FOR THE FINANCIAL YEAR	13	488,903	1,493,420

Turnover and operating loss derive entirely from continuing operations.

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

BALANCE SHEET AT 31 DECEMBER 2002

	Note	2002 £	2001 £
CURRENT ASSETS			
Debtors	9	30,266,771	30,682,374
Cash at bank and in hand		257,108	148,748
		<hr/>	<hr/>
		30,523,879	30,831,122
CREDITORS - amounts falling due within one year	10	(1,282,641)	(2,524,601)
		<hr/>	<hr/>
NET CURRENT ASSETS		29,241,238	28,306,521
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		29,241,238	28,306,521
		<hr/>	<hr/>
Provision for liabilities and charges	4	(4,191,721)	(3,745,907)
		<hr/>	<hr/>
		25,049,517	24,560,614
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	12	1,000	1,000
Profit and loss account	13	25,048,517	24,559,614
		<hr/>	<hr/>
Equity shareholders' funds	13	25,049,517	24,560,614
		<hr/>	<hr/>



D L M Taljaard
Director

01 MAY 2003

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002**1. ACCOUNTING POLICIES****(a) Basis of accounting**

The accounts have been prepared under the historical cost convention and have been prepared in accordance with applicable UK accounting standards.

(b) 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.

(c) 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 2002

2. TURNOVER

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

3. OPERATING LOSS IS STATED AFTER:

	2002 £	2001 £
Charging:		
Leasehold property rents	2,593,703	2,584,171
Management fee to fellow subsidiary	85,000	25,000
	<hr/>	<hr/>

The audit fees for 2002 and 2001 have been borne by another group undertaking.

	2002 £	2001 £
Crediting:		
Rent receivable	2,337,749	2,428,260
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002

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:

	2002		2001	
	£	£	£	£
At 1 January		3,745,907		2,661,020
Provisions transferred (to)/ from fellow subsidiary undertaking		-		1,515,767
Transfer from/(to) other creditors		1,416		(1,416)
New Provision	797,499		-	
Utilisation of provision	(353,101)		(429,464)	
Movement recorded in profit and loss account		444,398		(429,464)
At 31 December		4,191,721		3,745,907

5. INTEREST RECEIVABLE

	2002 £	2001 £
From fellow subsidiary undertakings	1,293,650	1,547,947
From third parties	1,207	-
	<u>1,294,857</u>	<u>1,547,947</u>

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
To third parties	-	220
	<hr/>	<hr/>
	-	220
	<hr/>	<hr/>

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, two of whom were members of the Hilton Group Pension Plan, a defined benefit scheme, received total remuneration for the year of £551,721 (2001 - £650,247).

(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

	2002 £	2001 £
Amounts falling due within one year:		
Trade debtors	505,182	354,923
Amounts due from fellow subsidiary undertakings (note 11)	28,773,747	29,344,716
Other debtors	348,208	425,937
Prepayments and accrued income	632,383	556,798
VAT and other tax	7,251	-
	<hr/>	<hr/>
	30,266,771	30,682,374
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002**10. CREDITORS**

	2002 £	2001 £
Amounts falling due within one year:		
Trade creditors	221,056	146,051
Amounts due to fellow subsidiary undertakings (note 11)	91,546	1,474,860
Other creditors	316,513	259,171
Accruals and deferred income	578,138	557,150
VAT and Other tax	75,388	87,369
	<u>1,282,641</u>	<u>2,524,601</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

	2002 £	2001 £
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 2002

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit & loss account £	Total £
At 1 January 2001	1,000	23,066,194	23,067,194
Profit for the year	-	1,493,420	1,493,420
At 1 January 2002	1,000	24,559,614	24,560,614
Profit for the year	-	488,903	488,903
As at 31 December 2002	1,000	25,048,517	25,049,517

14. FINANCIAL COMMITMENTS

The annual commitment under non-cancelable operating leases for land and buildings at 31 December 2002 was as follows:

	2002 £	2001 £
Lease expiring:		
Within one year	-	16,550
Within two to five years	743,324	471,386
Thereafter	1,789,582	1,936,431
At 31 December 2002	2,532,906	2,424,367

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002**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 £10,924,940 at 31 December 2002 (2001: £13,043,347).

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 2002 the aggregate amount of such credit balance was £72,650 (2001: £991)

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.