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**TECHNO LIMITED**

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



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**DIRECTORS' REPORT - YEAR ENDED 31 DECEMBER 2001**

Directors:                    N T Earp                    (resigned 06 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 Registration No:    559673

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 loss after taxation of £ 3,953,435 loss (2000 : £4,286,648) which has been transferred to the profit and loss reserve.

No dividend is recommended by the directors.

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 and development.

**DIRECTORS' REPORT - YEAR ENDED 31 DECEMBER 2001****DIRECTORS**

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

**DIRECTORS' INTERESTS**

According to the register kept by the company pursuant to section 325 of the Companies Act 1985, the directors at 31 December 2001 and their families:

(a) had the following interests in shares of Hilton Group plc:

31 December 2001	31 December 2000 (or when appointed)
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## 10p ordinary shares ("shares")

D L M Taljaard	16,019	16,019
A R Wyatt	11,642	11,642

## Options to purchase shares under the terms of the 1978 share option scheme ("1978 scheme")

S P Humphreys	10,026	10,026
D L M Taljaard	10,319	10,319
A R Wyatt	8,757	8,757

## Options to purchase shares under the terms of the 1983 savings related share option scheme ("1983 scheme")

D L M Taljaard	4,787	4,787
A R Wyatt	9,265	9,265

## Options to purchase shares under the terms of the International Share Option Scheme ("International Scheme")

S P Humphreys	33,699	17,574
D L M Taljaard	548,965	398,965
A R Wyatt	63,593	63,593

## Options to purchase shares under the terms of the Performance Share Plan ("Performance Scheme")

D L M Taljaard	186,480	85,470
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## Options to purchase shares under the terms of the Own Share Plan ("Own Share Plan")

D L M Taljaard	258	Nil
A R Wyatt	258	93

## DIRECTORS' REPORT - YEAR ENDED 31 DECEMBER 2001

- (b) were granted or exercised options, during the year or period since appointment, for the following shares of Hilton Group plc.

	Shares under the terms of the					
	1983 Scheme		International Scheme		Performance Scheme	
	Granted	Exercised	Granted	Exercised	Granted	Exercised
S P Humphreys	nil	nil	16,125	nil	nil	nil
D L M Taljaard	nil	nil	150,000	nil	101,010	nil

Except as shown above, no director at 31 December 2001 held at that date or at 31 December 2000 or on appointment, any interest in, or during the year or period since appointment, was granted or exercised a right to subscribe for, the shares or debentures of this company or of Hilton Group plc or its subsidiaries.

By Order of the Board

FOR AND ON BEHALF OF  
 LAWRENCE CORPORATE  
 SECRETARIES LIMITED

*T. Livesey*

Secretary

18 JUL 2002

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**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 6, 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 7 to 15 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 TECHNO 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 20.

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 Director's 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 of 1985. We also report to you if, in our opinion, the Director's 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London

*19 July 2002*

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**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001**

	Note	2001 £	2000 £
<b>TURNOVER</b>	3	1,028,860	1,056,131
Cost of sales		(1,217,616)	(1,254,029)
		<hr/>	<hr/>
Gross loss		(188,756)	(197,898)
Net operating expenses		20	-
Transfer from property provision	5	195,082	186,022
		<hr/>	<hr/>
<b>OPERATING PROFIT/(LOSS) BEFORE INTEREST</b>	4	6,346	(11,876)
Interest receivable	6	860	8,032
Interest payable and similar charges	7	(3,960,641)	(4,282,804)
		<hr/>	<hr/>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(3,953,435)	(4,286,648)
Taxation	9	-	-
		<hr/>	<hr/>
<b>LOSS FOR THE FINANCIAL YEAR</b>	16	(3,953,435)	(4,286,648)
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Turnover and operating profit /(loss) derive entirely from continuing operations.

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

**BALANCE SHEET AT 31 DECEMBER 2001**

	Note	2001 £	2000 £
<b>FIXED ASSETS</b>			
Investments	10	1	1
<b>CURRENT ASSETS</b>			
Dealing properties	11	2,000,000	2,000,000
Debtors	12	1,357,772	853,092
Cash at bank		45,159	50,395
		3,402,931	2,903,487
<b>CREDITORS</b> - amounts falling due within one year	13	(73,646,224)	(69,705,687)
<b>NET CURRENT LIABILITIES</b>		(70,243,293)	(66,802,200)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(70,243,292)	(66,802,199)
<b>Provisions for liabilities and charges</b>	5	(1,161,280)	(648,938)
		(71,404,572)	(67,451,137)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	15,000	15,000
Share premium account		82,044	82,044
Profit and loss account	16	(71,501,616)	(67,548,181)
Equity Shareholders' deficit	16	(71,404,572)	(67,451,137)



D L M Taljaard  
Director

18 JUL 2002



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**NOTES TO THE ACCOUNTS - 31 DECEMBER 2001****1. FUNDAMENTAL ACCOUNTING CONCEPT**

The accounts have been prepared under the going concern concept because, as stated in note 14 the directors of the group undertakings to whom £73,068,245 is owed at 31 December 2001 have agreed to defer settlement of this amount and related interest until the company is financially able to settle these debts. In addition, the ultimate holding company has agreed to meet any other liabilities as they fall due should the company's income not be sufficient.

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

The accounts have been prepared under the historical cost convention.

The accounts are prepared in accordance with applicable UK accounting standards.

**(b) Property valuation**

Dealing properties are stated at the lower of cost and net realisable value.

**(c) 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 and, for dealing properties, where contracts have been exchanged during the accounting period and the development is substantially complete.

**(d) 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 arising as a result of the reversal of timing differences.

**(e) Leases**

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

**3. TURNOVER**

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

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2001

## 4. OPERATING PROFIT/(LOSS) IS STATED AFTER

	2001 £	2000 £
Charging:		
Leasehold property rents	1,189,969	1,193,980
	<u>                    </u>	<u>                    </u>

The audit fee for 2001 and 2000 has been borne by another group undertaking.

	2001 £	2000 £
Crediting:		
Rent receivable	1,028,860	1,056,131
	<u>                    </u>	<u>                    </u>

## 5. PROPERTY PROVISION

In 1996 Hilton Group plc, the company's ultimate 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 addition 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	648,938	807,198
Provision transferred from fellow subsidiary undertakings	626,855	27,762
Transfer from other creditors	80,569	-
Utilisation of provision	(195,082)	(186,022)
Movement recorded in profit and loss account	<u>(195,082)</u>	<u>(186,022)</u>
At 31 December	<u>1,161,280</u>	<u>648,938</u>

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NOTES TO THE ACCOUNTS - 31 DECEMBER 2001

## 6. INTEREST RECEIVABLE

	2001 £	2000 £
From third parties	860	8,032
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## 7. INTEREST PAYABLE

	2001 £	2000 £
To fellow subsidiary undertaking	3,960,641	4,282,804
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## 8. 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 a Hilton Group defined benefit pension 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.

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2001

## 9. TAXATION

No provision has been made in these accounts for UK Corporation tax for the year 2001 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.

## 10. INVESTMENTS

	2001 £	2000 £
Shares in subsidiary undertakings at cost	1	1

The company owns 54% of the issued ordinary share capital of Taddale Investments Ltd, company registered in England and Wales. Consolidated accounts have not been prepared as the company is itself a wholly owned subsidiary of a company incorporated in Great Britain. In the opinion of the directors the value of the subsidiaries and associated undertakings is not less than the amount at which they are stated in these accounts.

## 11. DEALING PROPERTIES

Dealing properties are stated at the lower of cost and net realisable value.

## 12. DEBTORS

	2001 £	2000 £
Amounts falling due within one year		
Trade debtors	64,209	8,242
Amounts due from fellow subsidiary undertakings (note 14)	987,605	360,750
Other debtors	56,112	181,454
Prepayments and accrued income	249,594	302,235
Other tax	252	411
	<u>1,357,772</u>	<u>853,092</u>

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**NOTES TO THE ACCOUNTS - 31 DECEMBER 2001**
**13. CREDITORS - amounts falling due within one year**

	2001 £	2000 £
Trade creditors	22,695	48,753
Amounts due to fellow subsidiary undertakings (note 14)	73,068,245	69,009,275
Other creditors and accruals	523,231	643,683
Other tax	32,053	3,976
	<hr/>	<hr/>
	73,646,224	69,705,687
	<hr/>	<hr/>

**14. AMOUNTS DUE TO / FROM GROUP UNDERTAKINGS**

Amounts due to group undertakings are included under amounts falling due within one year where there are no specified terms as to their repayment. The directors of the group companies concerned have agreed to defer settlement of these amounts and the related interest until the company is financially able to settle these debts.

Amounts due from fellow subsidiary undertakings are included under amounts falling due within one year where there are no specified terms as to recoverability.

**15. CALLED UP SHARE CAPITAL**

	2001 £	2000 £
Authorised, allotted, called up and fully paid 15,000 ordinary shares of £1 each	15,000	15,000
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## NOTES TO THE ACCOUNTS - 31 DECEMBER 2001

## 16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit & loss account £	Total £
At 1 January 2000	97,044	(63,261,533)	(63,164,489)
Loss for the financial year	-	(4,286,648)	(4,286,648)
At 1 January 2001	97,044	(67,548,181)	(67,451,137)
Loss for the financial year	-	(3,953,435)	(3,953,435)
At 31 December 2001	97,044	(71,501,616)	(71,404,572)

## 17. FINANCIAL COMMITMENTS

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

	2001 £	2000 £
Leases expiring:		
Within one year	-	80,000
Within two to five years	52,650	168,250
Thereafter	945,724	945,724
Lease expiring	998,374	1,193,974

## 18. CONTINGENT LIABILITIES

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

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**NOTES TO THE ACCOUNTS - 31 DECEMBER 2001****19. CASH FLOW STATEMENT**

The company has taken advantage of the provision of FRS1 which exempts subsidiaries from preparing a cash flow statement, where 90% or of the more 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.

**20. ULTIMATE PARENT UNDERTAKING**

The ultimate parent company is Hilton Group plc, a company registered in England and Wales, the accounts of which are available from the registered office of that company 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.

Hilton Group plc has undertaken to provide financial support to the company, whilst it remains a subsidiary, to enable it to meet its liabilities as they fall due.

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.