

804560

COMFORT LODGE LIMITED

Report and Accounts

31 December 2001



Comfort Lodge Limited

Registered No. 804560

DIRECTORS

G D Hearn

D L M Taljaard

I Hughes-Rixham (appointed 30 July 2001)

M Way (appointed 12 October 2001)

P C Gosling (resigned 30 September 2001)

P V Harvey (resigned 12 October 2001)

SECRETARY

Ladbroke Corporate Services Limited

AUDITORS

Ernst & Young LLP

Becket House

1 Lambeth Palace Road

London SE1 7EU

REGISTERED OFFICE

Maple Court

Central Park

Reeds Crescent

Watford

Hertfordshire WD24 4QQ

Comfort Lodge Limited

DIRECTORS' REPORT

The directors present their report and audited accounts for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The loss for the year amounted to £195,759 (2000 – loss £189,318).

No dividend is recommended by the directors (31 December 2000 – nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company comprises its investment in Comfort Lodge (UK) Limited, a company which during the year has continued to carry on its business as hotel proprietors.

The company will expand when opportunities arise.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were as listed on page 1.

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 the shares of Hilton Group plc.

	2001	2000
10p ordinary shares ("Shares")		
G D Hearn	5,103	5,103
D L M Taljaard	16,019	16,019
I Hughes-Rixham	33,542	33,542*
Options to purchase shares under the terms of the 1978 share option scheme ("1978 Scheme")		
G D Hearn	11,156	11,156
D L M Taljaard	10,319	10,319
I Hughes-Rixham	9,499	9,499*
M Way	9,515	9,515*
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
I Hughes-Rixham	8,012	8,012*
M Way	7,181	7,181*
Options to purchase shares under the terms of the International share option scheme ("International Scheme")		
G D Hearn	271,010	118,844
D L M Taljaard	548,965	398,965
I Hughes-Rixham	204,036	164,036*
M Way	86,143	86,143*
Own share plan		
G D Hearn	258	—
D M Taljaard	258	—
I Hughes-Rixham	258	—*
M Way	258	93*

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

	2001 £	2000 £
Conditional right to receive shares under the Hilton Group performance share plan ("The Plan")		
G D Hearn	95,012	—
D L M Taljaard	186,480	85,470

(b) were granted, or exercised during the year (or during the period since appointment), options over shares as follows:

	<i>Performance share plan</i>		<i>International scheme</i>	
	<i>granted</i>	<i>exercised</i>	<i>granted</i>	<i>exercised</i>
G D Hearn	95,012	—	152,166	—
D L M Taljaard	101,010	—	150,000	—
I Hughes-Rixham	—	—	40,000	—

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.

*or on appointment

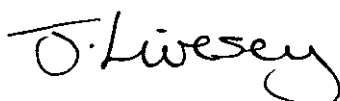
DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year Hilton Group plc purchased and maintained on behalf of the company liability insurance for its directors and officers as permitted by section 310 (3) of the Companies Act 1985.

AUDITORS

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2001. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. Ernst & Young LLP will be re-appointed as the company's auditor in accordance with the elective resolution passed by the company under section 386 of the Companies Act 1985.

By order of the Board



Secretary

FOR AND ON BEHALF OF
LADBROKE CORPORATE
SECRETARIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE INDEPENDENT AUDITORS
to the members of Comfort Lodge Limited

We have audited the company's financial statements for year ended 31 December 2001 which comprise Profit and Loss account, Balance Sheet and the related notes 1 to 16. 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 applicable United Kingdom law and accounting 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 accounts. 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 accounts.

Opinion

In our opinion the accounts 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

16 July 2002

Comfort Lodge Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

	<i>Notes</i>	<i>2001</i> £	<i>2000</i> £
Interest payable	6	(195,759)	(189,318)
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	5,12	(195,759)	(189,318)
RETAINED LOSS FOR THE FINANCIAL YEAR	12	(195,759)	(189,318)

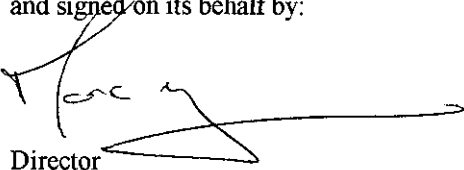
There are no recognised gains or losses other than those recognised in the profit and loss account.

Comfort Lodge Limited

BALANCE SHEET at 31 December 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Investments	7	5,155,664	5,155,664
CURRENT ASSETS			
Debtors	8	1,434,000	–
CREDITORS: amounts falling due within one year	9	(2,488,277)	(858,518)
NET CURRENT LIABILITIES		(1,054,277)	(858,518)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,101,387	4,297,146
CAPITAL AND RESERVES			
Called up share capital	11,12	14,000,200	14,000,200
Profit and loss account	12	(9,898,813)	(9,703,054)
EQUITY & NON-EQUITY SHAREHOLDERS' FUNDS	12	4,101,387	4,297,146

Approved by the Board on
and signed on its behalf by:


Director

15 JUL 2002

NOTES TO THE ACCOUNTS
at 31 December 2001

1. ACCOUNTING POLICY

Accounting convention

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

Fixed asset investments

Fixed asset investments are stated at the lower of cost and net realisable value.

2. OPERATING PROFIT

The remuneration of the auditors was borne entirely by other companies within the Hilton Group and is disclosed as appropriate in the accounts of those companies.

3. DIRECTORS' REMUNERATION

The directors of the company are also directors of other undertakings within the Hilton Group. The directors' remuneration for the year was paid by the other undertakings. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the fellow subsidiary undertakings.

4. STAFF COSTS

The operations of the company during 2001 have been undertaken by employees of other group undertakings. No charge (2000 – £nil) has been included in these accounts in respect of their services.

5. TAX ON LOSS ON ORDINARY ACTIVITIES

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

6. INTEREST PAYABLE

	2001	2000
	£	£
On balances due to group undertakings	195,759	189,318
	<u> </u>	<u> </u>

Comfort Lodge Limited

NOTES TO THE ACCOUNTS at 31 December 2001

7. INVESTMENTS

*Shares in
subsidiary
undertaking
£*

At 31 December 2000 and at 31 December 2001

5,155,664

The company owns 100% of the issued share capital of Comfort Lodge (UK) Limited which is registered in England and Wales and carries on business as hotel proprietors.

In the opinion of the directors the value of the subsidiary is not less than the amount at which it is stated in the accounts.

Group accounts have not been prepared as the company is a wholly owned undertaking of Hilton Group plc, a company incorporated in England and Wales.

8. DEBTORS

<i>2001</i>	<i>2000</i>
<i>£</i>	<i>£</i>

Amounts due from fellow subsidiary undertaking (note 10)

1,434,000	—
-----------	---

9. CREDITORS: amounts falling due within one year

<i>2001</i>	<i>2000</i>
<i>£</i>	<i>£</i>

Amounts due to group subsidiary undertakings (note 10)

2,488,277	858,518
-----------	---------

10. AMOUNTS DUE TO AND FROM GROUP SUBSIDIARY UNDERTAKINGS

Amounts due to and from group undertakings are included under amounts falling due within one year where there are no specified terms as to their repayment. While amounts due to and from fellow undertakings are technically repayable on demand, the directors of the group undertakings concerned have agreed to defer settlement of these amounts and the related interest until the company is financially able to settle its debts.

Comfort Lodge Limited

NOTES TO THE ACCOUNTS at 31 December 2001

11. SHARE CAPITAL

	2001 £	2000 £
Authorised, allotted, called up and fully paid:		
56,000,400 Ordinary shares of 25p each	14,000,100	14,000,100
400 Non cumulative 6% preference shares of 25p each	100	100
	<u>14,000,200</u>	<u>14,000,200</u>

The preference shares, which were issued at par, carry a dividend of 6% per annum payable when declared. The dividend rights are non-cumulative.

The preference shares carry no right to attend or receive notice of or to vote in person or by proxy at general meetings of the company.

On a return of assets on liquidation or on a reduction of capital involving a repayment of capital, the surplus assets of the company remaining after payment of its liabilities shall be applied first in repaying the holders of the preference shares the amount paid up on such shares.

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 January 2000	14,000,200	(9,513,736)	4,486,464
Loss for the year	–	(189,318)	(189,318)
At 31 December 2000	14,000,200	(9,703,054)	4,297,146
Loss for year	–	(195,759)	(195,759)
At 31 December 2001	14,000,200	(9,898,813)	4,101,387
			£
Shareholders' funds attributable to:			
Equity			4,101,287
Non-equity			100
			<u>4,101,387</u>

13. CASH FLOW STATEMENT

The company has taken advantage of the provision within FRS 1 which exempts subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, from preparing a cash flow statement. The ultimate parent undertaking, Hilton Group plc, has included the required consolidated cash flow statement within its group accounts.

NOTES TO THE ACCOUNTS
at 31 December 2001

14. 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 £13,043,347 as at December 2001 (2000 – £12,285,405).

15. RELATED PARTIES

The company has taken advantage of provisions in FRS 8 which exempt subsidiary undertakings 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.

16. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Comfort Hotels Limited, a company registered in England and Wales. The ultimate parent undertaking and the only undertaking for which group accounts are prepared is Hilton Group plc a company registered in England and Wales, accounts for which can be obtained from the following address:

Maple Court, Central Park, Reeds Crescent, Watford, Hertfordshire, WD24 4QQ.