

LADBROKE GROUP FINANCE (JERSEY) LIMITED**Directors' report
For the year ended 31 December 2001**

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

Directors:	B G Barker	
	J Boydell	(Appointed 12 October 2001)
	L Lichman	
	M J Noble	
	B G Wallace	
	M J Way	(Resigned 12 October 2001)

Secretary: Mourant & Co. Secretaries Ltd

Registered Office: 22 Grenville Street, St Helier, Jersey, JE4 8PX, Channel Islands, Jersey

Registered Number: FC015785

Activities

The company acts as an investment company. Its activities include the lending of money, investment in income producing assets such as gilts and the issue of shares, as well as the borrowing of money and the issue of debt securities. It is not anticipated that there will be any change in these activities during the current year.

Accounts

The accounts for the period show a profit after taxation of £396,800 (2000 £436,280). No interim dividend was paid (2000 - £nil). The retained profit brought forward from the previous year was £7,678,996 giving rise to a retained profit to be carried forward of £8,075,796. No final dividend is recommended by the directors (2000 - £nil).

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Directors' report
For the year ended 31 December 2001

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 beneficial interests in the shares and debentures of Hilton Group plc:

	31 December 2001	31 December 2000 (or date of appointment)
10p ordinary shares ("shares")		
L Lichman	3,082	754
M J Noble	5,150	5,150
B G Wallace	27,720	16,078

Shares under the terms of the all employee share ownership plan ("OWN share plan")

L Lichman	258	-
M J Noble	258	-
B G Wallace	258	-

Options to purchase 10p ordinary shares under the terms of the 1978 share option scheme ("1978 scheme")

B G Barker	10,450	10,450
J Boydell	18,023	18,023
L Lichman	14,000	21,283
M J Noble	13,712	13,712
B G Wallace	350,000	350,000

Options to purchase 10p ordinary shares under the terms of the 1983 savings related share option scheme ("1983 scheme")

L Lichman	13,077	14,342
M J Noble	4,781	4,414
B G Wallace	9,265	11,642

Options to purchase 10p ordinary shares under the terms of the international share option scheme ("ISOS")

B G Barker	226,300	166,300
J Boydell	41,977	41,977
L Lichman	53,000	38,000
M J Noble	211,288	151,288
B G Wallace	1,445,347	975,000

Conditional right to receive shares under the terms of the performance share plan ("the plan")

B G Wallace	515,585	399,619
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(b) were granted or exercised during the year or period since appointment, options for shares of Hilton Group PLC under the terms of the:

	1978 Scheme		1983 Scheme		ISOS		The Plan	
	Granted	Exercised	Granted	Exercised	Granted	Exercised	Granted	Exercised
B G Barker	-	-	-	-	60,000	-	-	-
L Lichman	-	-	1,063	2,328	15,000	-	-	-
M J Noble	-	-	1,063	-	60,000	-	-	-
B G Wallace	-	-	9,265	11,642	470,347	-	218,484	-

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

None of the directors were materially interested during the year in any contract of significance in relation to the company's business entered into by the company or Hilton Group plc.

**Directors' report
for the year ended 31 December 2001**

Directors' responsibilities

The Companies (Jersey) Law 1991 requires the directors to prepare accounts which shall be in accordance with generally accepted accounting principles and show a true and fair view of the profit or loss of the company for the period and of the state of the company's affairs at the end of the period.

In preparing accounts the directors should:

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

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 (Jersey) Law 1991.

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.

By order of the Board



B G Barker
Director

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**Profit and loss account
for the year ended 31 December 2001**

	Note	2001 £	2000 £
Operating profit		-	-
Interest receivable	2	<u>396,800</u>	<u>436,280</u>
Profit on ordinary activities before taxation		396,800	436,280
Taxation	4	<u>-</u>	<u>-</u>
Profit retained for the financial year	8	<u>396,800</u>	<u>436,280</u>

All of the company's activities are continuing.

The company has no recognised gains or losses other than those included in profit above. Therefore no separate statement of total recognised gains or losses has been presented.

There is no difference between the profit on ordinary activities before tax and retained profit for the financial year stated above, and their historical cost equivalents.

LADBROKE GROUP FINANCE (JERSEY) LIMITED

Balance sheet
at 31 December 2001

	Note	2001 £	2000 £
Current assets			
Debtors	5	8,024,631	7,572,374
Investments	6	49,216	99,029
Cash at bank		<u>2,049</u>	<u>7,693</u>
Total assets		<u>8,075,896</u>	<u>7,679,096</u>
Capital and reserves			
Called up share capital	7	100	100
Profit and loss account	8	<u>8,075,796</u>	<u>7,678,996</u>
Equity shareholders' funds		<u>8,075,896</u>	<u>7,679,096</u>

B. G. Barker

B G Barker
Director

22 SEP 2002

**Notes to the financial statements
for the year ended 31 December 2001**

1. Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention. They have been drawn up to comply, in all material respects, with generally accepted accounting principles in the Island of Jersey.

Investments

Investments are stated at cost.

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 timing differences.

2. Interest receivable

	2001 £	2000 £
From group companies	389,551	428,673
Listed investments	7,249	7,607
	<u>396,800</u>	<u>436,280</u>

3. Directors and employees

Mr B G Wallace is a director of the ultimate parent company, Hilton Group plc. His emoluments and those of the other directors are borne entirely by other group companies, and it is not practicable to estimate what portion of their emoluments are attributable to this subsidiary.

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

4. Taxation

No provision has been made in these accounts for UK corporation tax, as an undertaking has been received from the ultimate holding company, Hilton Group plc, that the latter will assume all liability for any such taxation which may include covering tax liabilities with surrender of group relief free of charge.

Notes to the financial statements for the year ended 31 December 2001

5. Debtors

	2001 £	2000 £
Amounts falling due within one year:		
Prepayments and accrued income	1,560	2,095
Amount due from a group company	8,023,071	7,570,279
Total Debtors	8,024,631	7,572,374

Amounts due from group undertakings are included under amounts falling due within one year where there are no specific terms as to their repayment or recoverability.

Interest is receivable at variable rates of interest; the year end rate was 3.90625% pa.

6. Current asset investments

	2001 £	2000 £
At 1 January	99,029	99,029
Disposals	(49,813)	-
At 31 December	49,216	99,029
Investments listed on The London Stock Exchange		
Market value at 31 December	53,596	105,101

7. Called up share capital

	2001 £	2000 £
Authorised:		
Founders' shares of £1.00 each	1,000	1,000
Unclassified shares of £1.00 each	999,000	999,000
	1,000,000	1,000,000
Allotted, called up and fully paid:		
Founders' shares of £1.00 each	100	100

8. Profit and loss account

	£
At 31 December 2001	7,678,996
Profit for the financial year	396,800
At 31 December 2001	8,075,796

9. Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	396,800	436,280
Opening shareholders' funds	7,679,096	7,242,816
Closing shareholders' funds	8,075,896	7,679,096