

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009
FOR
Adda Hotels**

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Adda Hotels (Registered number 879456)

CONTENTS OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

| | Page |
|---|-------------|
| Company Information | 1 |
| Report of the Directors | 2 |
| Report of the Independent Auditors | 5 |
| Profit and Loss Account | 6 |
| Balance Sheet | 7 |
| Notes to the Financial Statements | 8 |

COMPANY INFORMATION
for the year ended 31 December 2009

DIRECTORS:

Mr A L Hughes
Mr S Humphreys
Mr P F James
Mr J C Philip
Mrs E J Rabin
Mr S R Vincent
Mr M J Way
Hilton Corporate Director LLC

SECRETARY:

HLT Secretary Limited

REGISTERED OFFICE:

Maple Court
Central Park
Reeds Crescent
Watford
Hertfordshire
WD24 4QQ

REGISTERED NUMBER:

879456

AUDITORS:

Ernst & Young LLP
1 More London Place
London
SE1 2AF

REPORT OF THE DIRECTORS
for the year ended 31 December 2009

The directors present their report with the financial statements of the company for the year ended 31 December 2009

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was to operate twelve hotels under operating leases and manage two hotels under management contract

REVIEW OF BUSINESS

The company's key financial indicators of performance during the year are considered to be

| | 2009 | 2008 |
|---------------------|--------------|-------------|
| Turnover | 121,877,345 | 138,560,971 |
| Gross (loss)\profit | (33,588,558) | 15,016,288 |
| Occupancy | 75% | 78% |

Turnover derives from 12 leased and 2 managed hotels and has decreased by 12% primarily due to the economic downturn. The gross loss includes an impairment charge of £34,339,058. Excluding this impairment charge the gross profit is £750,500. The primary driver behind the movement in gross loss is the reduction in revenue together with a high level of fixed costs.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2009

FUTURE DEVELOPMENTS

The company will continue to operate and manage hotels under lease and management contracts in the future

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2009 to the date of this report

Mr S Humphreys
Mr P F James
Mr J C Philip
Mrs E J Rabin
Mr S R Vincent
Mr M J Way
Hilton Corporate Director LLC

Other changes in directors holding office are as follows

Mr A Bradley - resigned 23 January 2009
Mr A L Hughes - appointed 23 January 2009
Mr L Lichman - resigned 30 June 2009

SUPPLIER PAYMENT POLICIES

The company agrees payment terms for its business transactions when goods and services are ordered. It ensures that suppliers are aware of the terms of payment and the relevant terms are included in contracts where appropriate. Subject to satisfactory performance by the supplier, arrangements are adhered to when making payments. At the year end, the company had an average of 28 days purchases outstanding in trade creditors.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

No significant post balance sheet events have occurred

REPORT OF THE DIRECTORS
for the year ended 31 December 2009

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive risk

This company operates in a number of locations around the UK. Risks that arise come from competitors opening new hotels or improving an existing hotel.

Economic risk

The company is subject to the cyclical nature of the hospitality and travel industry not just in its own market but those of its customers. Budgeting and forecasting processes enable the company to identify risks in market trends early to enable mitigation of such risks.

Interest rate risk

This company is subject to interest rate risk on intercompany loans where the interest rate is linked to RBS LIBOR.

Management does not believe the company is any more exposed to financial statement risk factors than others in the industry and has a system of internal controls and procedures that attempt to mitigate such risk.

DIRECTORS' AND OFFICERS' LIABILITY

During the year Hilton Worldwide, Inc purchased and maintained on behalf of the company liability insurance for its directors and officers, in respect of proceedings brought by third parties, as permitted by section 236 of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Adda Hotels (Registered number 879456)

REPORT OF THE DIRECTORS
for the year ended 31 December 2009

AUDITORS

In accordance with section 485 of the Companies Act 2006, a resolution is proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company

ON BEHALF OF THE BOARD:



Director

13 August 2010

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF ADDA HOTELS

We have audited the financial statements of Adda Hotels for the year ended 31 December 2009 on pages six to sixteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 a Report of the Auditors 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 explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

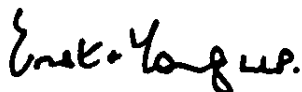
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Richard Murray (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
1 More London Place
London
SE1 2AF

13 August 2010

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2009

| | Notes | 2009 £ | 2008 £ |
|---|-------|---------------|---------------|
| TURNOVER | 3 | 121,877,345 | 138,560,971 |
| Cost of sales | | (155,465,903) | (123,544,683) |
| GROSS (LOSS)/PROFIT | | (33,588,558) | 15,016,288 |
| Other operating items | | 2,338 | - |
| Administrative expenses | | (9,259,560) | (10,517,398) |
| OPERATING (LOSS)/PROFIT | 5 | (42,845,780) | 4,498,890 |
| Profit/(loss) on disposal of investment | 6 | - | 1,668 |
| | | (42,845,780) | 4,500,558 |
| Interest receivable | 7 | 261,726 | 5,877 |
| | | (42,584,054) | 4,506,435 |
| Interest payable | 8 | - | (251,333) |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (42,584,054) | 4,255,102 |
| Tax on (loss)/profit on ordinary activities | 9 | 1,826,696 | 2,641,526 |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION | | (40,757,358) | 6,896,628 |

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the loss for the current year and the profit for the previous year

The notes form part of these financial statements

BALANCE SHEET
31 December 2009

| | Notes | 2009 £ | 2008 £ |
|--|-------|---------------------|---------------------|
| FIXED ASSETS | | | |
| Tangible assets | 11 | 90,522,612 | 128,580,696 |
| CURRENT ASSETS | | | |
| Stocks | 12 | 365,870 | 378,708 |
| Debtors | 13 | 59,277,422 | 25,071,943 |
| Cash at bank and in hand | | 104,090 | 187,762 |
| | | <u>59,747,382</u> | <u>25,638,413</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 14 | <u>(87,709,094)</u> | <u>(50,900,851)</u> |
| NET CURRENT LIABILITIES | | <u>(27,961,712)</u> | <u>(25,262,438)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>62,560,900</u> | <u>103,318,258</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | 110,005,500 | 110,005,500 |
| Profit and loss account | 17 | <u>(47,444,600)</u> | <u>(6,687,242)</u> |
| SHAREHOLDERS' FUNDS | 20 | <u>62,560,900</u> | <u>103,318,258</u> |

The financial statements were approved by the Board of Directors on 13 August 2010 and were signed on its behalf by



Director

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

1 FUNDAMENTAL ACCOUNTING CONCEPT

The financial statements have been prepared under the going concern basis because the company's intermediate parent, Hilton International Co, has indicated its willingness to provide adequate financial support to enable the company to meet its debts as they fall due

2 ACCOUNTING POLICIES

Accounting convention

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

The accounting policies adopted by the company are set out below and are consistent with those of the previous year

Tangible fixed assets

All fixed assets are stated at cost

Impairment tests are carried out as and when required by FRS 11

Depreciation

No depreciation is provided on freehold land. Buildings are depreciated to residual values over a period of 50 years or the estimated length of the life of the building, or the lease, whichever is less on a straight line basis

Fixtures, fittings and equipment are depreciated on a straight line basis at rates between 7.5% and 33.3% which are estimated to write down cost to residual values over their useful lives

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2009

2 ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Rentals applicable to operating leases under which substantially all the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account on a straight line basis over the period of the lease

Pension costs and other post-retirement benefits

Contributions were made to a Hilton Worldwide, Inc pension scheme, and although the scheme was a multi-employer defined benefit scheme, it was accounted for in the books of Adda Hotels as a defined contribution scheme, as fixed contributions were made to the scheme and any surpluses or deficits were accounted for within Hilton Worldwide, Inc

3 TURNOVER

Turnover is derived from leased properties and management fees for the operation of hotels, and arose wholly in the United Kingdom Turnover represents sales (excluding VAT and similar taxes) of goods and services, net of discounts, provided in the normal course of business and recognised when services have been rendered The following is a description of the composition of turnover of the company

Leased properties - primarily derived from hotel operations, including the rental of rooms, conference and banqueting, food and beverage sales from owned and leased hotels Turnover is recognised when rooms are occupied and food and beverages are sold

Management fees - earned from hotels managed by the company, usually under long-term contracts with the hotel owner Management fees include a base fee, which is generally a percentage of hotel revenue, and an incentive fee, which is generally based on the hotel's profitability or cash flows Turnover is recognised when earned and realised or realisable under the terms of the contract

4 STAFF COSTS

All operations of the company during the year ended 31 December 2009 have been undertaken by employees of other companies within Hilton Worldwide, Inc A charge of £23,969,567 has been included in the financial statements in cost of sales in respect of their services (2008 - £25,499,517)

5 OPERATING (LOSS)/PROFIT

This is stated after charging

| | 2009 | 2008 |
|---|------------|------------|
| | £ | £ |
| Management charge payable to group undertakings | 5,226,032 | 6,057,681 |
| Fees payable to fellow group undertakings | 3,925,125 | 4,375,942 |
| Depreciation of tangible fixed assets | 8,899,335 | 5,594,661 |
| Foreign exchange on currency loans | (2,338) | - |
| Operating lease rentals - property | 40,058,847 | 42,018,474 |
| Operating lease rentals - other | 542,134 | 585,181 |
| Impairment charge on tangible fixed assets | 34,339,058 | - |

The remuneration of the auditors is borne entirely by Hilton International Co

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2009

6 EXCEPTIONAL ITEMS

| | 2009 £ | 2008 £ |
|---|-----------|-----------|
| Profit/(loss) on disposal of investment | - | 1,668 |

7 INTEREST RECEIVABLE

| | 2009 £ | 2008 £ |
|--|----------------|--------------|
| Interest receivable from fellow group undertakings | 261,726 | - |
| Interest receivable from third parties | - | 5,877 |
| | <u>261,726</u> | <u>5,877</u> |

8 INTEREST PAYABLE

| | 2009 £ | 2008 £ |
|---|-----------|-----------|
| Interest payable to fellow group undertakings | - | 251,333 |

9 TAXATION

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows

| | 2009 £ | 2008 £ |
|---|--------------------|--------------------|
| Deferred tax | (1,826,696) | (2,641,526) |
| Tax on (loss)/profit on ordinary activities | <u>(1,826,696)</u> | <u>(2,641,526)</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2009

9 TAXATION - continued

Factors affecting the tax credit

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

| | 2009 £ | 2008 £ |
|---|--------------|-----------|
| (Loss)/profit on ordinary activities before tax | (42,584,054) | 4,255,102 |
| (Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 - 28.497%) | (11,923,535) | 1,212,576 |
| Effects of | | |
| Deferred tax timing differences in respect of capital allowances | 481,595 | (982,536) |
| Impairment | 8,685,964 | - |
| Group relief surrendered to fellow subsidiary company free of charge | 2,767,412 | (41,533) |
| Transitional building allowance | (14,789) | (27,822) |
| Non-deductible item | 3,353 | 36,470 |
| Other | - | (197,155) |
| Current tax credit | - | - |

Factors that may affect future tax charges

The UK Government announced in its Emergency Budget on 22 June 2010 that the headline rate of corporation tax will be reduced from 28% by 1% each year starting from 1 April 2011 until it reaches 24% in 2014. Further, from 1 April 2012, the rates of capital allowances will reduce from 20% to 18% for assets in the general pool and from 10% to 8% for items in the Special Rate Pool. Of these proposed provisions only the reduction of the headline rate of corporation tax from 28% to 27% from 1 April 2011 has been enacted in the Finance (No 2) Act 2010 on 21 July 2010. At the date of signing it is too early to quantify the impact that this reduction may have on carried forward deferred tax balances.

10 DIRECTORS' REMUNERATION

The directors of the company were also directors of other undertakings within Hilton Worldwide, Inc. 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.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2009

11 TANGIBLE FIXED ASSETS

| | Freehold property £ | Short leasehold property £ | Long leasehold property £ | Fixtures, fittings and equipment £ | Totals £ |
|------------------------|---------------------------|-------------------------------------|------------------------------------|--|-------------|
| COST | | | | | |
| At 1 January 2009 | 457,011 | 110,752,437 | 195,728 | 40,614,045 | 152,019,221 |
| Additions | 50,476 | 1,515,788 | 25,411 | 3,588,635 | 5,180,310 |
| Disposals | - | - | - | (166,037) | (166,037) |
| Transfer | (507,487) | 728,626 | (221,139) | - | - |
| At 31 December 2009 | - | 112,996,851 | - | 44,036,643 | 157,033,494 |
| DEPRECIATION | | | | | |
| At 1 January 2009 | 16,179 | 7,555,930 | 77 | 15,866,339 | 23,438,525 |
| Charge for year | - | 3,110,010 | - | 5,789,326 | 8,899,336 |
| Eliminated on disposal | - | - | - | (166,037) | (166,037) |
| Impairments | - | 25,125,656 | - | 9,213,402 | 34,339,058 |
| Transfer | (16,179) | 16,256 | (77) | - | - |
| At 31 December 2009 | - | 35,807,852 | - | 30,703,030 | 66,510,882 |
| NET BOOK VALUE | | | | | |
| At 31 December 2009 | - | 77,188,999 | - | 13,333,613 | 90,522,612 |
| At 31 December 2008 | 440,832 | 103,196,507 | 195,651 | 24,747,706 | 128,580,696 |

The amounts written off tangible fixed assets comprise impairment of fixed assets of five hotels. The impairment charge has been measured by reference to the value in use of the income generating unit, using a discount rate of 10%.

12 STOCKS

| | 2009 £ | 2008 £ |
|------------------|-----------|-----------|
| Goods for resale | 365,870 | 378,708 |

The directors estimate that the replacement cost of stocks is not materially different from their book value amounts.

13 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2009 £ | 2008 £ |
|------------------------------------|------------|------------|
| Trade debtors | 3,640,432 | 5,647,526 |
| Amounts owed by group undertakings | 38,960,273 | 2,338,747 |
| Other debtors | 2,134,318 | 4,071,854 |
| Deferred tax asset | 4,336,582 | 2,509,886 |
| Prepayments and accrued income | 10,205,817 | 10,503,930 |
| | 59,277,422 | 25,071,943 |

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2009

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2009 | 2008 |
|------------------------------------|-------------------|-------------------|
| | £ | £ |
| Trade creditors | 1,569,849 | 1,787,212 |
| Amounts owed to group undertakings | 72,171,141 | 34,712,205 |
| Social security and other taxes | 4,039,638 | 4,605,659 |
| Other creditors | 19,471 | 152,920 |
| Accruals and deferred income | 9,908,995 | 9,642,855 |
| | <u>87,709,094</u> | <u>50,900,851</u> |

Amounts owed to group undertakings are included in amounts due within one year where there are no specified repayment terms. While amounts owed to group undertakings are technically repayable on demand, and hence are included in amounts 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.

15 DEFERRED TAX

| | £ |
|--|--------------------|
| Balance at 1 January 2009 | (2,509,886) |
| Origination and reversal of timing differences | (2,567,286) |
| Prior year adjustment | 740,590 |
| Balance at 31 December 2009 | <u>(4,336,582)</u> |

The asset at 31 December 2009 relates entirely to capital allowances.

16 CALLED UP SHARE CAPITAL

| Allotted, issued and fully paid | | | 2009 | 2008 |
|---------------------------------|-----------------|---------------|--------------------|--------------------|
| Number | Class | Nominal value | £ | £ |
| 110,000,500 | Ordinary shares | £1 | 110,000,500 | 110,000,500 |
| 5,000 | Deferred shares | £1 | 5,000 | 5,000 |
| | | | <u>110,005,500</u> | <u>110,005,500</u> |

The deferred shares carry no rights to participate in the company's profits. On liquidation or otherwise, the surplus assets shall be applied first in repaying to the holders of ordinary shares £1,000 per share, and secondly repaying to the holders of the deferred shares the amount paid up on such shares, the balance of the surplus assets shall be distributed to the holders of the ordinary shares in proportion to the amounts paid up thereon. As regards voting on a show of hands, the holders of each class of share shall rank *pari passu*, and on a poll, each ordinary share shall carry 1,000 votes and each deferred share one vote.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2009

17 RESERVES

| | Profit and loss account £ |
|----------------------|------------------------------------|
| At 1 January 2009 | (6,687,242) |
| Deficit for the year | (40,757,358) |
| At 31 December 2009 | <u>(47,444,600)</u> |

18 OTHER FINANCIAL COMMITMENTS

a) Lease commitments

The annual commitment under non-cancellable operating leases is as follows

| | Plant and equipment 2009 £ | 2008 £ |
|----------------------------|----------------------------------|----------------|
| Within one year | 530,455 | 547,391 |
| Between one and five years | 494 | 37,790 |
| | <u>530,949</u> | <u>585,181</u> |

| | Land and buildings 2009 £ | 2008 £ |
|--------------------------------------|---------------------------------|-------------------|
| Leases expiring Within five years | <u>40,125,497</u> | <u>39,940,652</u> |

b) Other financial commitments

All of the assets of the company are held as security under the terms of the loan agreements between Hilton Worldwide, Inc and third party providers

19 RELATED PARTY DISCLOSURES

The company has taken advantage of provisions in FRS 8 which exempt wholly owned subsidiary undertakings within the Hilton Worldwide, Inc group, from disclosing transactions with other entities within the group. The ultimate parent undertaking at 31 December 2009, Hilton Worldwide, Inc has included the required related party disclosures within its group financial statements

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2009

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2009 £ | 2008 £ |
|--|---------------------|--------------------|
| (Loss)/Profit for the financial year | (40,757,358) | 6,896,628 |
| Net (reduction)/addition to shareholders' funds | (40,757,358) | 6,896,628 |
| Opening shareholders' funds | 103,318,258 | 96,421,630 |
| Closing shareholders' funds | 62,560,900 | 103,318,258 |

21 PARENT UNDERTAKING, CONTROLLING PARTY AND CONSOLIDATING ENTITY

The company's immediate parent undertaking is HLT Managed IV-A Holding Limited, an investment holding company registered in England

The ultimate parent undertaking and controlling party at 31 December 2009 is BH Hotels Holdco LLC, a company controlled by certain investment funds affiliated with the Blackstone Group L P, a publicly owned entity registered in the United States of America

The only undertaking for which group financial statements were prepared and into which the company is consolidated for 31 December 2009, was Hilton Worldwide, Inc (formerly known as Hilton Hotels Corporation), a Delaware company incorporated in the United States of America. These group financial statements are available from the company secretary, Hilton Worldwide, Inc, 7930 Jones Branch Drive, McLean, Fairfax County, Virginia VA 22102-3302, United States of America

22 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 as consolidated financial statements in which the company is included are publicly available

23 PENSIONS

During the year of these financial statements, the company was a subsidiary of Hilton Worldwide, Inc which operated a number of schemes almost entirely of the defined benefit type. The schemes are held in separate trustee administered funds

In the accounts of Hilton Worldwide, Inc contributions to the defined benefit pension schemes were based on periodic actuarial valuations and were charged against profits over the periods of the employees' service on a straight line basis. Any difference between the charge to the profit and loss account and the contributions paid to the pension schemes was included as an asset or liability in the financial statements of the company. The latest actuarial valuations of the principal funded defined benefit schemes were carried between 2001 and 2005

Full details of the pension schemes are given in the financial statements of Hilton Worldwide, Inc

For defined contribution arrangements, the charge against profit of £442,131 (2008 £1,281,106) was equal to the employer contributions. There were no outstanding or prepaid contributions at 31 December 2009 (2008 £nil)

24 CAPITAL COMMITMENTS

The company has not entered into any capital commitments contracted for but not provided in the financial statements at period end

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2009

25 CONTINGENT LIABILITIES

The company has jointly and severally guaranteed the value added tax liability of other companies within the same UK VAT group, which amounted to approximately £1.1 million (2008: £2.3 million) at 31 December 2009.