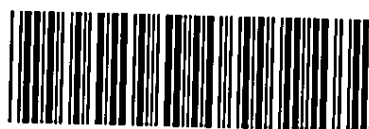


HIC TREASURY LIMITED

Report and Financial Statements

31 December 2006

THURSDAY



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COMPANIES HOUSE

HIC Treasury Limited

Registered No 1647393

DIRECTORS

Ladbroke Corporate Director Limited (resigned 23 February 2006)
P F James (appointed 13 February 2006, resigned 3 April 2006)
P H Bowcock (appointed 13 February 2006, resigned 29 September 2006)
S Humphreys (appointed 13 February 2006, resigned 3 April 2006)
I R Carter (appointed 3 April 2006)
L Lichman (appointed 3 April 2006)
M J Way (appointed 3 April 2006)
J D Thomson (appointed 29 September 2006)

SECRETARY

Ladbroke Corporate Secretaries Limited (resigned 23 February 2006)
B Wilson (appointed 23 February 2006)

AUDITORS

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

REGISTERED OFFICE

Maple Court
Central Park
Reeds Crescent
Watford
Hertfordshire WD24 4QQ

HIC Treasury Limited

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2006

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £5,572,000 (2005 - £nil)

No dividend was paid in the year (2005 - £nil)

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENT

The company was sold to Hilton Hotels Corporation on 23 February 2006 as part of the disposal by Ladbrokes plc (formerly Hilton Group plc) of its International Hotels division. The company was dormant until June 2006, when the company then undertook borrowings from and entered into loans to other members of Hilton Hotels Corporation and engaged in associated finance related activities.

PRINCIPAL RISKS AND UNCERTAINTIES

The company's principal activities are those of lending and borrowing money from other Group Companies. As such the principal risks and uncertainties facing the company are broadly grouped as follows – recoverability of intercompany receivables, interest rates and foreign exchange.

EVENTS SINCE THE BALANCE SHEET DATE

On 3 July 2007, Hilton Hotels Corporation announced that it had entered into a definitive merger agreement with The Blackstone Group's real estate and private equity funds in an all-cash transaction. Under the terms of the agreement, Blackstone will acquire all the outstanding common stock of Hilton Hotels Corporation. The transaction completed on 24 October 2007. As a result of the transaction, there will be significant restructuring of the companies within Hilton Hotels Corporation and fair values assigned to each property.

Hilton Hotels Corporation have appointed consultants to ascertain these fair values, the results of which are not anticipated until early 2008. At the date of signing these accounts, there was no reason to believe the fair values would be significantly different to those presented in these accounts.

CHANGE OF NAME

On 19 April 2006 the company changed its name from Wembley International Hotel Limited to HIC Treasury Limited.

DIRECTORS AND THEIR INTERESTS

There are no directors' interests requiring disclosure under the Companies Act 1985.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year Hilton Hotels Corporation 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.

DISCLOSURE OF INFORMATION TO THE 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 group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

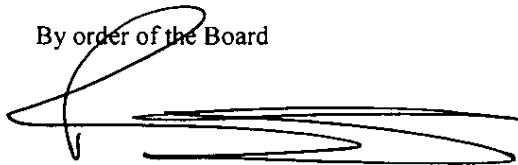
HIC Treasury Limited

DIRECTORS' REPORT

AUDITORS

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

A handwritten signature in black ink, consisting of a large, stylized 'S' followed by several horizontal strokes.

Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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, and
- 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 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 financial statements 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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HIC TREASURY LIMITED

We have audited the company's financial statements for the year ended 31 December 2006, which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 16. These financial statements have been prepared under 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 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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.

In addition we report to you if, in our opinion 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 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

30 January 2008.

HIC Treasury Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2006

	<i>Notes</i>	<i>2006</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Loss on exchange	2	(9,002)	-
Interest receivable	3	33,875	-
Interest payable	4	(19,275)	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,598	-
Taxation	6	(26)	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,572	-
		<hr/>	<hr/>
RETAINED PROFIT FOR THE FINANCIAL YEAR	12	5,572	-
		<hr/> <hr/>	<hr/> <hr/>

There were no recognised gains or losses in the year other than those recognised in the profit and loss account

HIC Treasury Limited

BALANCE SHEET at 31 December 2006

	Notes	2006 £'000	2005 £'000
CURRENT ASSETS			
Debtors amounts falling due after one year	7	1,244,555	855
Debtors amounts falling due within one year	8	23	-
		<u>1,244,578</u>	<u>855</u>
CREDITORS amount falling due within one year	9	(10,812)	-
		<u>1,233,766</u>	<u>855</u>
NET CURRENT ASSETS			
		<u>1,233,766</u>	<u>855</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,233,766</u>	<u>855</u>
CREDITORS amounts falling due after more than one year	10	(859,545)	-
		<u>374,221</u>	<u>855</u>
NET ASSETS			
		<u>374,221</u>	<u>855</u>
CAPITAL AND RESERVES			
Called up share capital	11,12	367,894	100
Profit and loss account	12	6,327	755
		<u>374,221</u>	<u>855</u>
EQUITY SHAREHOLDERS' FUNDS			
	12	<u>374,221</u>	<u>855</u>

Approved by the Board on
and signed on its behalf by

31/12/06



Director

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2006

1. ACCOUNTING POLICIES

Accounting convention

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

Foreign currencies

Assets, liabilities, share capital and reserves denominated in a foreign currency, are translated into sterling at period end rates and exchange movements arising on translation are recorded in the profit and loss account. The profit and loss account is translated into sterling at average rates and exchange gains or losses arising on translation are reported as part of the operating result for the year.

Derivative Instruments

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The group also uses interest rate swaps to adjust interest rate exposures.

The volume of these transactions is low and the company does not apply hedge accounting as all gains and losses on monetary assets and liabilities are recognised in the profit and loss account.

Pension fund

Contributions were made to a Hilton Hotels Corporation pension scheme, and though the scheme was a multi-employer defined benefit scheme, it is paid by Hilton UK Hotels Limited as a defined contribution scheme, as fixed contributions were made to the scheme and any surpluses or deficits were accounted for by a fellow subsidiary of the ultimate parent company.

2. OPERATING PROFIT

This is stated after charging

	2006 £'000	2005 £'000
Loss on exchange in relation to US Dollar denominated intercompany debt	(9,002)	-

The remuneration of auditors was borne entirely by other undertakings within Hilton Hotels Corporation and is disclosed as appropriate in the financial statements of those undertakings. The fees relating to the audit of HIC Treasury Limited for the year ended 31 December 2006 amounted to £6,000.

3. INTEREST RECEIVABLE

	2006 £'000	2005 £'000
Receivable from third party	554	-
Interest receivable from fellow group undertakings	33,321	-
	<u>33,875</u>	<u>-</u>

HIC Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2006

4. INTEREST PAYABLE

	2006 £'000	2005 £'000
Bank and system charges	9	-
Interest payable on foreign exchange deals	33	-
Interest payable on balances due to fellow subsidiary undertakings	19,066	-
Interest payable on bank loans and overdrafts	167	-
	<u>19,275</u>	<u>-</u>

5 DIRECTORS' REMUNERATION

The directors of the company were also directors of other undertakings within Hilton Hotels Corporation. The directors' remuneration for the period 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.

6 TAXATION

(a) Tax charge on loss on ordinary activities

	2006 £'000	2005 £'000
Current tax		
Corporation tax payable at 30% (2005 30%)	-	-
Overseas tax charge	26	-
	<u>26</u>	<u>-</u>
Total current tax (note 6(a) and note 6(b))		
	<u>26</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
Total deferred tax		
	<u>-</u>	<u>-</u>
Tax charge on profit on ordinary activities	<u>26</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

6. TAXATION CONT

(b) Factors affecting the current tax charge

The current tax shown for the period is different from the standard rate of corporation tax in the UK of 30%. The difference is explained below

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	5,598	-
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%) (2005 30%)	1,679	-
Deferred tax timing differences in respect of capital allowances	-	-
Group relief surrendered (from)/to fellow subsidiary company free of charge	(1,679)	-
Overseas tax charge	26	-
Non-deductible item	-	-
Total current tax (note 6(a) and note 6(b))	26	-

7. DEBTORS amounts falling due after one year

	2006 £'000	2005 £'000
Amounts due from fellow subsidiary undertakings	1,244,555	855
	1,244,555	855

Amounts due from group undertakings are included in amounts due after one year where there are no specified repayment terms. While amounts due from group undertakings are technically repayable on demand, the directors are of the opinion that in the ordinary course of business, repayment within such a timescale would not be required.

8. DEBTORS amounts falling due within one year

	2006 £'000	2005 £'000
Prepayments and accrued income	23	-
	23	-

HIC Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2006

9. CREDITORS: amounts falling due within one year

	2006 £'000	2005 £'000
Accruals and other creditors	268	-
Bank overdraft	10,544	-
	<u>10,812</u>	<u>-</u>

10. CREDITORS: amounts falling due after more than one year

	2006 £'000	2005 £'000
Amounts due to fellow subsidiary undertakings	859,545	-
	<u>859,545</u>	<u>-</u>

Amounts due to group undertakings are included in amounts due after more than one year where there are no specified repayment terms. While amounts due to group undertakings are technically repayable on demand, the directors are of the opinion that in the ordinary course of business, repayment within such a timescale would not be required.

HIC Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2006

11 SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised ordinary shares of £1 each		
At 1 January 2006	100	100
Increased during the year	499,900	-
At 31 December 2006	500,000	100
Allotted, called up and partly paid ordinary shares of £1 each		
At 1 January 2006	100	100
Issued during the year	367,794	-
At 31 December 2006	367,894	100

During the year 372,671,540 shares were issued at par to Hilton Finance (UK) Limited, a fellow Hilton Hotels Corporation subsidiary undertaking. The shares were all fully paid, other than an issue on 1 July 2006, as described below.

On 1 July 2006, 196,613,540 shares were issued at par, partly paid to the extent of £191,735,885. In November 2007 the company resolved to request payment for the uncalled amount of £4,877,655. The final call was received in December 2007, at which point the issued share capital became fully paid up.

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2005	100	755	855
Profit for the year	-	-	-
At 31 December 2005	100	755	855
Profit for the year	-	5,572	5,572
Issued during the year	367,794	-	367,794
At 31 December 2006	367,894	6,327	374,221

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2006

13 CONTINGENT LIABILITIES

The company had jointly and severally guaranteed the value added tax liability of Hilton Hotels Corporation undertakings within the group registration, which amounted to approximately £8.7 million at 31 December 2006 (2005 £7.9 million)

14. 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 undertaking at 31 December 2006, Hilton Hotels Corporation, has included the required consolidated cash flow statement within its financial statements.

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 at 31 December 2006, Hilton Hotels Corporation, has included the required related party disclosures within its group financial statements.

16. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Hilton Finance (UK) Limited, a company registered in England.

The ultimate parent undertaking and controlling party at 31 December 2006 and the only undertaking for which group financial statements were prepared for the year then ended, was Hilton Hotels Corporation, a company incorporated in the United States of America.

The only group financial statements to include the company are those of Hilton Hotels Corporation and these are available from the company secretary, Hilton Hotels Corporation, 9336 Civic Center Drive, Beverly Hills, CA 90210, United States of America.