

LADBROKE EMPLOYEE SHARE TRUST LIMITED (Company No. 3348112)
DIRECTORS' REPORT - YEAR ENDED 31 DECEMBER 1998

Directors: J B H Jackson (chairman)
 J R F Walls
 D R Williams

Secretary: B S Taker

Registered Office: Maple Court, Central Park, Reeds Crescent, Watford, Herts
 WD1 1HZ

The directors have pleasure in presenting their report and the company's accounts for the year ended 31 December 1998.

ACCOUNTS AND DIVIDENDS

The company has not traded during the year and accordingly has made neither a profit nor a loss. No profit and loss account has therefore been prepared and no dividend is recommended. It is not expected that the company will commence trading in the current year.

YEAR 2000

The Year 2000 issue concerns the potential inability of systems which use only the last two digits of the year to recognise, and process accurately, date sensitive information in the Year 2000 and beyond.

Hilton Group plc (formerly Ladbroke Group PLC) ("the group") began to execute a comprehensive Year 2000 programme in late 1996, details of which are disclosed within the group accounts. Any issues relating to the Company are addressed as part of this group wide review. This programme involves the following phases:

- Audit of existing inventory of systems
- Analysis of impact of Year 2000 on these systems
- Strategy for managing the Year 2000 risk
- Corrective action to eliminate the risk

The group is currently in the correction phase of the programme which largely involves upgrading or replacement of systems. The major investment in new information technology systems referred to above is a critical part of this correction phase, although the primary objective of this investment is to provide additional functionality to gain competitive advantage. Key suppliers and business partners have also been identified and the group has been actively working with them to minimise as far as possible the risk of any disruption to the supply of critical goods and services to the business.

DIRECTORS

The current directors and those who served during the year are shown above.

DIRECTORS' INTERESTS

The directors, who are also directors of Hilton Group plc, are not required to notify the company of any interests in any shares or debentures of this company or of Hilton Group plc or its subsidiaries. The required disclosure has been made within the consolidated financial statements of Hilton Group plc.

By Order of the Board


 B S Taker
 Secretary

27 OCT 1999
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LADBROKE EMPLOYEE SHARE TRUST LIMITED (Company No. 3348112)
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 3, 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 4 to 5 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.

**REPORT OF THE AUDITORS
TO THE MEMBERS OF LADBROKE EMPLOYEE SHARE TRUST LIMITED**

We have audited the accounts on pages 4 to 5 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 5.

Respective responsibilities of the directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 accounts, 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 accounts 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 1998 and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
London

27/10/99

LADBROKE EMPLOYEE SHARE TRUST LIMITED (Company No. 3348112)
BALANCE SHEET AT 31 DECEMBER 1998

	Note	1998 £	1997 £
Current Assets			
Amounts due from group undertakings	3	<u>2</u>	<u>2</u>
Capital and Reserves			
Called up share capital	4	<u>2</u>	<u>2</u>
EQUITY SHAREHOLDERS' FUNDS		<u>2</u>	<u>2</u>

J B H Jackson
 Director

27 OCT 1999

LADBROKE EMPLOYEE SHARE TRUST LIMITED (Company No. 3348112)
NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 1998

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention. They have been drawn up to comply with applicable UK accounting standards.

2. DIRECTORS' EMOLUMENTS

The directors, who are also directors of Hilton Group plc, have given the required disclosures relating to directors' emoluments within the consolidated financial statements of Hilton Group plc.

3. AMOUNTS DUE FROM GROUP COMPANIES

Amounts due from group companies are included under amounts falling due within one year where there are no specified terms as to their recoverability.

4. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised 1000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid ordinary shares of £1 each	<u>2</u>	<u>2</u>

5. CASH FLOW STATEMENT

The company has taken advantage of the provision within FRS 1 which exempts wholly owned subsidiaries from preparing a cash flow statement. The ultimate parent company, Hilton Group plc, has included the required consolidated cash flow statement within its consolidated financial statements.

6. RELATED PARTIES

The immediate and ultimate parent undertaking is Hilton Group plc (formerly Ladbroke Group PLC), a company registered in England and Wales, the accounts of which are available from the registered office at Maple Court, Central Park, Reeds Crescent, Watford, Herts, WD1 1HZ.

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