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## Preliminary International Financial Reporting Standards (IFRS) financial statements

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# preliminary IFRS financial statements

## INTRODUCTION

### Implementation of International Financial Reporting Standards (“IFRS”)

From 2005 Hilton Group plc (“the Group”) will prepare its consolidated accounts in accordance with IFRS. This section of the Annual Report has been included to illustrate the differences that will arise when the financial statements are prepared under IFRS rather than UK GAAP.

The Group’s first IFRS results will be its interim results for June 2005 and the first Annual Report under IFRS will be for 2005. Reconciliations of the Group’s UK GAAP balance sheets to its preliminary IFRS balance sheets at 1 January 2004 (the “opening balance sheet”), 30 June 2004 and 31 December 2004 together with reconciliations of the Group’s UK GAAP profit and loss accounts to its preliminary IFRS profit and loss accounts for the six months to 30 June 2004 and for the year to 31 December 2004 are shown on pages 62 to 66. The preliminary IFRS financial statements will form the basis of the comparative information in the first IFRS accounts and have been prepared on the basis of IFRS expected to be in issue at 31 December 2005 but are still subject to change. We will update the restated information for any such change. The accounting policies applied in preparing the preliminary IFRS financial statements are set out on pages 59 and 60.

The preliminary IFRS financial statements for the full year ended 31 December 2004 have been audited by Ernst & Young LLP. The interim preliminary IFRS financial information for June 2004 has been reviewed by Ernst & Young LLP. Their reports, which draw attention to the fact that there is a possibility that the preliminary financial statements may require adjustment before constituting final IFRS financial statements and that only a complete set of financial statements can provide a fair presentation of the Group’s financial position, are set out on pages 67 and 68. The IAS 32 and 39 pro forma information for all periods is unaudited.

The significant changes as a result of the transition to IFRS and of adopting the IFRS group accounting policies are described below.

### IAS 19 Employee Benefits

IAS 19 requires separate recognition of the operating and financing costs of defined benefit pension schemes in the profit and loss account and permits a number of options for the recognition of actuarial gains and losses. The Group has adopted the IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’ transitional exemption and recognised the full actuarial pension deficit in equity at the date of transition.

The Group intends to recognise actuarial gains and losses immediately in the statement of recognised income and expense on the assumption that the revised version of IAS 19 will be endorsed by the European Union (“EU”).

The impact of this policy is to recognise an additional pension liability, net of deferred tax, of £81.3m in the Group’s IFRS opening balance sheet at 1 January 2004, £71.2m at 30 June 2004 and £91.1m at 31 December 2004.

The impact of the policy on operating profit for the year ended 31 December 2004 is a reduction of £1.6m, with a £1.9m charge to net interest and a related tax credit of £1.1m. For the six months to 30 June 2004, operating profit is increased by £3.4m with interest and related tax charge each increased by £0.8m.

### IAS 12 Income Taxes

IAS 12 requires entities to calculate deferred taxation based on temporary differences, which are defined as the difference between the carrying amount of assets/liabilities and their tax base. As a result, the Group has provided an additional £242.4m of deferred tax liabilities in its opening balance sheet that were not required under UK GAAP. These comprise a £154.7m provision for deferred tax on acquired brands and licences, a £3.5m provision in respect of all rolled over capital gains and a £84.2m provision arising from the potential tax gains on the revaluation of fixed assets.

Where required, deferred tax has been provided on all other IFRS and pro forma adjustments.

### IFRS 2 Share-Based Payments

In accordance with IFRS 2 and the transitional exemption permitted by IFRS 1, the Group has recognised a charge reflecting the fair value of outstanding share options granted to employees since 7 November 2002. The fair value has been calculated using a binomial valuation model and is charged to profit over the relevant option vesting period, adjusted to reflect actual and expected levels of vesting.

The impact of this change has been a charge of £2.0m to operating profit for the year to 31 December 2004 and of £1.0m for the six months to 30 June 2004.

### IFRS 3 Business Combinations

IFRS 3 prohibits the amortisation of goodwill. The standard requires goodwill to be carried at cost with impairment reviews both annually and also when there are indications that the carrying value may not be recoverable.

As permitted by IFRS 1, the Group has chosen to apply IFRS 3 prospectively from the date of transition and has chosen not to restate previous business combinations. Therefore, goodwill is stated in the opening balance sheet at its UK GAAP carrying value of £1,183.1m with subsequent 2004 amortisation being reversed. The impact on operating profit after exceptional items and goodwill amortisation is a credit of £71.2m for the year to 31 December 2004 and a credit of £35.4m for the six months to 30 June 2004.

### IAS 37 Provisions

Under IAS 37, a provision should only be recognised when there is a present legal or constructive obligation to transfer resources. For Hilton Group plc, no such obligation to pay a dividend exists until the shareholders give formal approval at the annual general meeting. Therefore under IFRS, the Group will no longer accrue unapproved dividends at period ends. This has resulted in an increase in net assets of £87.4m at the opening balance sheet date, £57.0m at 30 June 2004 and £95.3m at 31 December 2004.

### IAS 32 & IAS 39 Financial Instruments

IAS 32 and IAS 39 address the accounting for financial instruments. IAS 32 covers disclosure and presentation whilst IAS 39 covers recognition and measurement. IAS 39 requires the measurement, at fair value, of a wide range of financial assets and liabilities and derivatives. The accounting for the movements in fair value is dependant on the designation of the relevant financial instrument as part of a hedging relationship. For derivatives, any changes in fair value are accounted for in income immediately unless the derivative is part of a designated hedging relationship.

The Group will only apply IAS 32 and IAS 39 from 1 January 2005 as permitted by the transition arrangements in IFRS 1. However, unaudited pro forma balance sheets and profit and loss accounts have been calculated as if the Group had appropriate hedging documentation in place throughout 2004 and had applied the principles of IAS 32 and IAS 39 during this period.

Under IAS 39, the Group’s £300m convertible bond is required to be split into a debt and equity component, net of issue costs. At 1 January 2004, this has resulted in the restatement of the liability for the debt component to £263.5m and a £34.3m equity component. Accretion of this debt component has resulted in an additional £4.2m charge to pro forma interest for the year to 31 December 2004 and an additional £2.1m charge for the period to 30 June 2004.

Based on the retrospective hedge designations, the application of IAS 39 to the remaining financial assets and liabilities of the Group has resulted in a reduction in pro forma net assets of £10.2m in the opening balance sheet, £9.6m at 30 June 2004 and £8.7m at 31 December 2004. A £1.1m credit to pro forma interest has been recorded in the year to 31 December 2004. A credit of £0.9m has been recorded for the period to 30 June 2004. This credit represents movement in fair values of the ineffective portions of the Group’s hedges and financial instruments that do not qualify for hedge accounting.

# preliminary IFRS financial statements

## ACCOUNTING POLICIES

### Basis of preparation

The preliminary IFRS balance sheets and profit and loss accounts shown in the reconciliations on pages 62 to 66 have been prepared on the basis of IFRS expected to be in issue at 31 December 2005, on the assumption that IFRS 2 and the revised version of IAS 19 will be endorsed by the EU.

As permitted by IFRS 1, the Group will apply the full version of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" as issued by the IASB from 1 January 2005.

To enable comparability, reconciliations to pro forma 2004 balance sheets and profit and loss accounts have been calculated as if the Group had appropriate hedging documentation in place throughout 2004. The IAS 39 accounting policy used in the preparation of these pro forma statements is shown on page 61.

The preliminary IFRS Financial Statements have been prepared on an historical cost basis, except for the retention of freehold and leasehold hotels at previously revalued amounts and the measurement of balances at fair value as disclosed in the accounting policies below.

### First-time application

The Group has adopted IFRS from 1 January 2004 ("the date of transition") with the exception of IAS 32 and IAS 39.

In accordance with IFRS 1 the Group is entitled to a number of voluntary and mandatory exemptions from full restatement, which have been adopted as follows:

### *Business combinations*

The basis of accounting for pre-transition combinations under UK GAAP has not been revisited. The initial carrying amount of assets and liabilities acquired in such business combinations is deemed to be equivalent to cost.

### *Property, plant and equipment*

The Group has elected to retain UK GAAP carrying values of freehold and leasehold hotels including revaluations as deemed cost at transition.

### *Employee benefits*

The cumulative net deficit on defined benefit pension schemes and similar benefits at transition date has been recognised in full in equity.

### *Share-based payments*

IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested at 1 January 2005.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company (Hilton Group plc) and its subsidiary undertakings. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

The results of subsidiaries are consolidated, using the purchase method of accounting, from the date on which control of the net assets and operations of the acquired company are effectively transferred to the Group. Similarly, the results of subsidiaries divested cease to be consolidated from the date on which control of the net assets and operations are transferred out of the Group.

### Investments in associates

Investments in associates are equity accounted and carried in the balance sheet at cost plus post-

acquisition changes in the Group's share of net assets of the associate, less any impairment in value.

The profit and loss account reflects the Group's share of the results of operations of the associate. To the extent that losses of an associate exceed the carrying amount of the investment, the Group discontinues including its share of further losses and the investment is reported at nil value. Additional losses are only provided if the Group has an obligation to a third party.

### Foreign currency translation

#### *Transactions in foreign currencies*

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the individual transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account, with the exception of differences on foreign currency borrowings that provide a post tax hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the profit and loss account. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity.

#### *Foreign Group companies*

The assets and liabilities of foreign operations are translated at the rate of exchange ruling at the balance sheet date. The profit and loss accounts of foreign operations are translated at the average rates of exchange. The post tax exchange differences arising on the translation, since the date of transition to IFRS, are taken directly to a separate component of equity.

### Treasury instruments

The Group makes use of a number of derivative instruments in order to alter the risk profile of an underlying exposure of the Group in line with the Group's treasury management policies. The main derivative instruments used are as follows:

#### *Interest rate swaps and collars*

The notional principle of an interest rate swap or collar is recorded off balance sheet. The net interest paid or received is recognised on an accruals basis in the Group's profit and loss account.

#### *Cross currency swaps*

A cross currency swap has the effect of restating the underlying currency denominated debt into the swapped currency. The swapped currency is then recorded on the balance sheet. The net interest paid or received is recognised on an accruals basis in the Group's profit and loss account. The Group also uses swaps to hedge the Group's tax charge on foreign currency monetary assets and liabilities.

### Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

#### *Buildings*

50 years or estimated length of life of the building, or lease, whichever is less to estimated residual value.

#### *Plant and equipment*

4 to 25 years as considered appropriate to write down cost to estimated residual value on a straight-line basis over the term of their estimated useful lives.

### Goodwill

Goodwill represents the excess of the cost of acquisition over the share of the fair value of identifiable net assets (including intangible assets) of a subsidiary, associate or joint venture at the date of acquisition.

In accordance with IFRS 3, with effect from 1 January 2004, goodwill is not amortised but reviewed annually for impairment and as such is stated at cost less any provision for impairment in value.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

## preliminary IFRS financial statements

### Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition.

Intangible assets with indefinite useful lives are reviewed annually for impairment.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

### Pensions and other post-employment benefits

The Group operates a number of retirement benefit schemes throughout the world. The major schemes are defined benefit pension funds with assets held separately from the Group. The pension cost relating to the defined benefit schemes is assessed in accordance with the advice of independent qualified actuaries using the projected unit credit method.

Actuarial gains and losses are recognised in the statement of recognised income and expenditure in the periods in which they arise.

The Group's contributions to defined contribution plans are charged to the profit and loss account in the period to which the contributions relate.

### Employee share incentive plan

The Group issues equity-settled share-based payments to certain employees (including directors). These payments are measured at fair value at the date of grant by use of a binomial model. The cost of equity-settled awards is recognised on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

No cost is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied.

### Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rental payments, other than contingent rentals, are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

Contingent rentals, which are determined by turnover or profit performance of individual hotels, are charged when incurred. Where a minimum guarantee exists, a charge is made to the profit and loss account, based on planned performance, to the extent that the individual hotel is expected to exceed minimum guarantee levels, or at the minimum guarantee level if there is a projected shortfall in performance.

A regular assessment is carried out, based on the actual performance of the individual hotels, and any difference is charged to the profit and loss account.

### Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is measured at the fair value of consideration received.

### Hotels

Revenue in respect of hotel accommodation and related services is recognised at the point at which the services are rendered.

### Management fees

Management fees are recognised in accordance with the substance of the relevant agreement.

### Joining fees and subscriptions

Joining fees and subscriptions in respect of Health and Fitness memberships are recognised over the membership period.

### Franchise fees

Franchise fees received for the provision of initial and subsequent services are recognised as revenue as the services are rendered. Franchise fees charged for the use of continuing rights granted by the agreement, or for other services provided during the period of the agreement, are recognised as revenue as the services are provided or the rights used.

### Betting and Gaming

Turnover is a combination of total amounts staked by customers on betting activities (including Fixed Odds Betting Terminals (FOBT's), number bets and sports betting), net takings from Amusement with Prizes machines (AWP's) (excluding VAT).

### Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts with the exception of:

- goodwill;
- the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Other than stated below, deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised. Deferred tax assets are not recognised in respect of;

- deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the same time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference will be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax balances are not discounted.

### Dividends

Dividends proposed by the Board of Directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting.

# preliminary IFRS financial statements

## PRO FORMA ACCOUNTING POLICIES

### Financial instruments and hedging activities

For the pro forma unaudited financial information, the principles of IAS 32 and IAS 39 have been adopted as detailed below.

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially accounted for at cost and subsequently re-measured to fair value. The gains or losses on re-measurement are taken to the profit and loss account except where the derivative is designated as a cash flow hedge or a net investment hedge. The fair value of a derivative financial instrument is the present value of all future cash flows (discounted at mid-swaps rate) and is translated at the spot exchange rate.

For the purposes of the pro forma unaudited financial information, it has been assumed that the derivative financial instruments taken out as hedges were designated and documented as hedges on the date that the relevant derivative contract was committed to, as one of the following:

- A hedge of the fair value of an asset or liability (“fair value hedge”);
- A hedge of the income/cost of a highly probable forecasted transaction or commitment (“cash flow hedge”);
- A hedge of a net investment in a foreign entity (“net investment hedge”).

In relation to fair value hedges that meet the conditions for hedge accounting, gains or losses on the re-measurement of the hedging instrument at fair value are recognised in the profit and loss account. Any gains or losses on the hedged item attributable to the hedged risk are adjusted against the carrying value of the hedged item and recognised in the profit and loss account.

In relation to cash flow hedges that meet the conditions for hedge accounting, the portion of the gains or losses on the hedging instrument that are determined to be an effective hedge are recognised directly in equity and the ineffective portion is recognised in the profit and loss account. When the hedged firm commitment results in the recognition of an asset or a liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the profit and loss account in the same period in which the hedged firm commitment affects the profit and loss account.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. At that point in time any cumulative gains or losses on the hedging instrument which have been recognised in equity are kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the cumulative gains or losses that have been recognised in equity are transferred to the profit and loss account for the year.

In relation to net investment hedges the post-tax gains or losses on the translation at the spot exchange rate of the hedged instrument are recognised in equity. The portion of the post-tax gains or losses on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the profit and loss account. The interest element of the fair value of the hedging instrument is taken to the profit and loss account.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the profit and loss account.

### Fair value estimation

In the case of the convertible bond, bank loans, bonds that are not publicly traded and other loans due in more than one year, the fair value of financial liabilities, for disclosure purposes, are estimated by discounting the future contractual cash flows at current market interest rates, which include the credit margin used when the debt was issued.

### Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest-rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised, as well as through the amortisation process.

### Convertible loan notes

For the purposes of the pro forma unaudited financial information, from 1 January 2004, the principles of IAS 32 have been adopted as detailed below.

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component is included in equity, representing the embedded option to convert the liability into equity of the Group.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the liability component of the convertible loan note.

# preliminary IFRS financial statements

Reconciliation of UK GAAP to preliminary IFRS profit and loss account for the year ended 31 December 2004

	UK GAAP	IFRS 3 Business Combinations	IFRS 2 Share Based Payments	IAS 19 Employee Benefits	Other	Associate interest & tax	Preliminary IFRS P&L account (audited)	Pro forma IAS 32/39 convertible bond	Pro forma IAS 32/39 Financial Instruments	Pro forma IFRS P&L account (unaudited)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Group operating profit*	417.2	–	(2.0)	(1.6)	0.4	–	414.0	–	–	414.0
Share of results from associated undertakings	13.0	–	–	–	–	(9.3)	3.7	–	–	3.7
<b>Total operating profit*</b>	<b>430.2</b>	<b>–</b>	<b>(2.0)</b>	<b>(1.6)</b>	<b>0.4</b>	<b>(9.3)</b>	<b>417.7</b>	<b>–</b>	<b>–</b>	<b>417.7</b>
Net finance costs	(47.1)	–	–	(1.9)	–	8.0	(41.0)	(4.2)	1.1	(44.1)
<b>Profit on ordinary activities before taxation*</b>	<b>383.1</b>	<b>–</b>	<b>(2.0)</b>	<b>(3.5)</b>	<b>0.4</b>	<b>(1.3)</b>	<b>376.7</b>	<b>(4.2)</b>	<b>1.1</b>	<b>373.6</b>
Taxation*	(59.4)	–	–	1.1	(0.1)	1.3	(57.1)	1.3	(0.3)	(56.1)
Profit after taxation*	323.7	–	(2.0)	(2.4)	0.3	–	319.6	(2.9)	0.8	317.5
Profit attributable to minority interests	(0.1)	–	–	–	–	–	(0.1)	–	–	(0.1)
Profit attributable to shareholders*	323.6	–	(2.0)	(2.4)	0.3	–	319.5	(2.9)	0.8	317.4
Goodwill amortisation	(71.2)	71.2	–	–	–	–	–	–	–	–
Exceptional items	8.4	–	–	–	–	–	8.4	–	–	8.4
Profit attributable to shareholders	260.8	71.2	(2.0)	(2.4)	0.3	–	327.9	(2.9)	0.8	325.8
Earnings per share – basic	16.5p						20.7p			20.6p
Earnings per share – diluted	15.6p						19.5p			19.6p

\*before goodwill amortisation and exceptional items

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Reconciliation of UK GAAP to preliminary IFRS balance sheet as at 31 December 2004

	UK GAAP (IFRS format) £m	IAS 19 Employee Benefits £m	IAS 12 Income Tax £m	IAS 37 Provisions £m	IFRS 3 Business Combinations £m	Other £m	Reclassifications £m	Preliminary IFRS balance sheet (audited) £m	Pro forma IAS 32/39 convertible bond £m	Pro forma IAS 32/39 Financial Instruments £m	Pro forma IFRS balance sheet (unaudited) £m
<b>Non-current assets</b>											
Goodwill	1,113.2	–	–	–	71.2	–	–	1,184.4	–	–	1,184.4
Other intangible assets	503.2	–	6.6	–	–	–	27.8	537.6	–	–	537.6
Property, plant and equipment	2,561.0	–	–	–	–	(16.6)	(15.5)	2,528.9	–	–	2,528.9
Interests in associates	57.1	–	–	–	–	–	–	57.1	–	0.1	57.2
Other financial assets	–	(7.6)	–	–	–	–	15.5	7.9	(2.2)	(0.8)	4.9
Deferred tax asset	–	39.1	–	–	–	–	–	39.1	–	–	39.1
Derivatives	–	–	–	–	–	–	–	–	–	52.7	52.7
Retirement benefit asset	–	1.8	–	–	–	–	–	1.8	–	–	1.8
	4,234.5	33.3	6.6	–	71.2	(16.6)	27.8	4,356.8	(2.2)	52.0	4,406.6
<b>Current assets</b>											
Inventories	15.8	–	–	–	–	–	–	15.8	–	–	15.8
Trade and other receivables	368.1	(13.1)	–	–	–	–	(27.8)	327.2	(0.5)	(0.3)	326.4
Available-for-sale financial assets	2.8	–	–	–	–	–	–	2.8	–	–	2.8
Derivatives	–	–	–	–	–	–	–	–	–	4.9	4.9
Cash and cash equivalents	483.3	–	–	–	–	–	–	483.3	–	–	483.3
	870.0	(13.1)	–	–	–	–	(27.8)	829.1	(0.5)	4.6	833.2
<b>Total assets</b>	<b>5,104.5</b>	<b>20.2</b>	<b>6.6</b>	<b>–</b>	<b>71.2</b>	<b>(16.6)</b>	<b>–</b>	<b>5,185.9</b>	<b>(2.7)</b>	<b>56.6</b>	<b>5,239.8</b>
<b>Current liabilities</b>											
Interest-bearing loans and borrowings	(115.6)	–	–	–	–	–	–	(115.6)	–	20.7	(94.9)
Obligations under finance leases	(17.6)	–	–	–	–	–	–	(17.6)	–	–	(17.6)
Derivatives	–	–	–	–	–	–	–	–	–	(33.5)	(33.5)
Trade and other payables	(682.2)	2.8	–	95.3	–	1.4	–	(582.7)	–	0.7	(582.0)
Corporation tax liabilities	(172.6)	–	–	–	–	–	–	(172.6)	–	5.8	(166.8)
	(988.0)	2.8	–	95.3	–	1.4	–	(888.5)	–	(6.3)	(894.8)
<b>Non-current liabilities</b>											
Interest-bearing loans and borrowings	(987.5)	–	–	–	–	–	–	(987.5)	–	(18.0)	(1,005.5)
Obligations under finance leases	(34.5)	–	–	–	–	–	–	(34.5)	–	–	(34.5)
Convertible loan notes	(300.0)	–	–	–	–	–	–	(300.0)	31.9	(5.9)	(274.0)
Derivatives	–	–	–	–	–	–	–	–	–	(38.8)	(38.8)
Other financial liabilities	(32.8)	16.3	–	–	–	–	–	(16.5)	–	–	(16.5)
Deferred tax liabilities	(189.2)	–	(249.0)	–	–	4.6	–	(433.6)	(8.7)	3.7	(438.6)
Retirement benefit obligation	–	(130.4)	–	–	–	–	–	(130.4)	–	–	(130.4)
Provisions	(18.4)	–	–	–	–	–	–	(18.4)	–	–	(18.4)
	(1,562.4)	(114.1)	(249.0)	–	–	4.6	–	(1,920.9)	23.2	(59.0)	(1,956.7)
<b>Total liabilities</b>	<b>(2,550.4)</b>	<b>(111.3)</b>	<b>(249.0)</b>	<b>95.3</b>	<b>–</b>	<b>6.0</b>	<b>–</b>	<b>(2,809.4)</b>	<b>23.2</b>	<b>(65.3)</b>	<b>(2,851.5)</b>
<b>Net assets</b>	<b>2,554.1</b>	<b>(91.1)</b>	<b>(242.4)</b>	<b>95.3</b>	<b>71.2</b>	<b>(10.6)</b>	<b>–</b>	<b>2,376.5</b>	<b>20.5</b>	<b>(8.7)</b>	<b>2,388.3</b>
<b>Equity</b>											
Called up share capital	158.6	–	–	–	–	–	–	158.6	–	–	158.6
Share premium account	1,729.6	–	–	–	–	–	–	1,729.6	–	–	1,729.6
Revaluation reserve	243.3	–	–	–	–	–	(243.3)	–	–	–	
Equity component of convertible loan note	–	–	–	–	–	–	–	–	34.3	–	34.3
Own shares	(14.5)	–	–	–	–	–	–	(14.5)	–	–	(14.5)
Foreign currency translation	–	–	–	–	–	–	7.1	7.1	–	(10.1)	(3.0)
Other reserve	158.2	–	–	–	–	–	–	158.2	–	–	158.2
Retained earnings	276.0	(91.1)	(242.4)	95.3	71.2	(10.6)	236.2	334.6	(13.8)	1.4	322.2
<b>Equity shareholders' funds</b>	<b>2,551.2</b>	<b>(91.1)</b>	<b>(242.4)</b>	<b>95.3</b>	<b>71.2</b>	<b>(10.6)</b>	<b>–</b>	<b>2,373.6</b>	<b>20.5</b>	<b>(8.7)</b>	<b>2,385.4</b>
Equity minority interests	2.9	–	–	–	–	–	–	2.9	–	–	2.9
<b>Total equity</b>	<b>2,554.1</b>	<b>(91.1)</b>	<b>(242.4)</b>	<b>95.3</b>	<b>71.2</b>	<b>(10.6)</b>	<b>–</b>	<b>2,376.5</b>	<b>20.5</b>	<b>(8.7)</b>	<b>2,388.3</b>

# preliminary IFRS financial statements

Reconciliation of UK GAAP to preliminary IFRS balance sheet as at 1 January 2004

	UK GAAP (IFRS format)	IAS 19 Employee Benefits £m	IAS 12 Income Tax £m	IAS 37 Provisions £m	Other £m	Reclassifications £m	Preliminary IFRS balance sheet (audited) £m	Pro forma IAS 39 convertible bond £m	Pro forma IAS 32/39 Financial Instruments £m	Pro forma IFRS balance sheet (unaudited) £m
<b>Non-current assets</b>										
Goodwill	1,183.1	–	–	–	–	–	1,183.1	–	–	1,183.1
Other intangible assets	480.1	–	–	–	–	17.5	497.6	–	–	497.6
Property, plant and equipment	2,568.6	–	–	–	(15.1)	(6.3)	2,547.2	–	–	2,547.2
Interests in associates	77.4	–	–	–	–	–	77.4	–	0.1	77.5
Other financial assets	–	(4.8)	–	–	–	22.8	18.0	(2.6)	(1.0)	14.4
Deferred tax asset	–	34.8	–	–	–	–	34.8	–	–	34.8
Derivatives	–	–	–	–	–	–	–	–	40.5	40.5
Retirement benefit asset	–	3.9	–	–	–	–	3.9	–	–	3.9
	4,309.2	33.9	–	–	(15.1)	34.0	4,362.0	(2.6)	39.6	4,399.0
<b>Current assets</b>										
Inventories	16.9	–	–	–	–	–	16.9	–	–	16.9
Trade and other receivables	346.7	(10.5)	–	–	–	(34.0)	302.2	(0.5)	(0.5)	301.2
Available-for-sale financial assets	2.7	–	–	–	–	–	2.7	–	–	2.7
Derivatives	–	–	–	–	–	–	–	–	5.5	5.5
Cash and cash equivalents	600.6	–	–	–	–	–	600.6	–	–	600.6
	966.9	(10.5)	–	–	–	(34.0)	922.4	(0.5)	5.0	926.9
<b>Total assets</b>	<b>5,276.1</b>	<b>23.4</b>	<b>–</b>	<b>–</b>	<b>(15.1)</b>	<b>–</b>	<b>5,284.4</b>	<b>(3.1)</b>	<b>44.6</b>	<b>5,325.9</b>
<b>Current liabilities</b>										
Interest-bearing loans and borrowings	(322.8)	–	–	–	–	–	(322.8)	–	(2.4)	(325.2)
Obligations under finance leases	(17.0)	–	–	–	–	–	(17.0)	–	–	(17.0)
Derivatives	–	–	–	–	–	–	–	–	(15.6)	(15.6)
Trade and other payables	(641.8)	2.8	–	87.4	(0.5)	–	(552.1)	–	3.8	(548.3)
Corporation tax liabilities	(168.6)	–	–	–	–	–	(168.6)	–	19.7	(148.9)
	(1,150.2)	2.8	–	87.4	(0.5)	–	(1,060.5)	–	5.5	(1,055.0)
<b>Non-current liabilities</b>										
Interest-bearing loans and borrowings	(1,071.5)	–	–	–	–	–	(1,071.5)	–	3.8	(1,067.7)
Obligations under finance leases	(37.0)	–	–	–	–	–	(37.0)	–	–	(37.0)
Convertible loan notes	(300.0)	–	–	–	–	–	(300.0)	36.5	(3.9)	(267.4)
Derivatives	–	–	–	–	–	–	–	–	(65.0)	(65.0)
Other financial liabilities	(50.0)	15.0	–	–	–	–	(35.0)	–	0.4	(34.6)
Deferred tax liabilities	(199.0)	–	(242.4)	–	4.7	–	(436.7)	(10.0)	4.4	(442.3)
Retirement benefit obligation	–	(122.5)	–	–	–	–	(122.5)	–	–	(122.5)
Provisions	(21.1)	–	–	–	–	–	(21.1)	–	–	(21.1)
	(1,678.6)	(107.5)	(242.4)	–	4.7	–	(2,023.8)	26.5	(60.3)	(2,057.6)
<b>Total liabilities</b>	<b>(2,828.8)</b>	<b>(104.7)</b>	<b>(242.4)</b>	<b>87.4</b>	<b>4.2</b>	<b>–</b>	<b>(3,084.3)</b>	<b>26.5</b>	<b>(54.8)</b>	<b>(3,112.6)</b>
<b>Net assets</b>	<b>2,447.3</b>	<b>(81.3)</b>	<b>(242.4)</b>	<b>87.4</b>	<b>(10.9)</b>	<b>–</b>	<b>2,200.1</b>	<b>23.4</b>	<b>(10.2)</b>	<b>2,213.3</b>
<b>Equity</b>										
Called up share capital	158.2	–	–	–	–	–	158.2	–	–	158.2
Share premium account	1,722.2	–	–	–	–	–	1,722.2	–	–	1,722.2
Revaluation reserve	241.5	–	–	–	–	(241.5)	–	–	–	–
Equity component of convertible loan note	–	–	–	–	–	–	–	34.3	–	34.3
Own shares	(7.9)	–	–	–	–	–	(7.9)	–	–	(7.9)
Other reserve	158.2	–	–	–	–	–	158.2	–	–	158.2
Retained earnings	171.5	(81.3)	(242.4)	87.4	(10.9)	241.5	165.8	(10.9)	(10.2)	144.7
<b>Equity shareholders' funds</b>	<b>2,443.7</b>	<b>(81.3)</b>	<b>(242.4)</b>	<b>87.4</b>	<b>(10.9)</b>	<b>–</b>	<b>2,196.5</b>	<b>23.4</b>	<b>(10.2)</b>	<b>2,209.7</b>
Equity minority interests	3.6	–	–	–	–	–	3.6	–	–	3.6
<b>Total equity</b>	<b>2,447.3</b>	<b>(81.3)</b>	<b>(242.4)</b>	<b>87.4</b>	<b>(10.9)</b>	<b>–</b>	<b>2,200.1</b>	<b>23.4</b>	<b>(10.2)</b>	<b>2,213.3</b>

# preliminary IFRS financial statements

Reconciliation of UK GAAP to preliminary IFRS profit and loss account for the six months ended 30 June 2004

	UK GAAP (unaudited)	IFRS 3 Business Combinations	IFRS 2 Share Based Payments	IAS 19 Employee Benefits	Other	Associate interest & tax	Preliminary IFRS P&L account (unaudited)	Pro forma IAS 32/39 convertible bond	Pro forma IAS 32/39 Financial Instruments	Pro forma IFRS P&L account (unaudited)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Group operating profit*	208.6	–	(1.0)	3.4	0.5	–	211.5	–	–	211.5
Share of results from associated undertakings	5.4	–	–	–	–	(4.5)	0.9	–	–	0.9
<b>Total operating profit*</b>	<b>214.0</b>	<b>–</b>	<b>(1.0)</b>	<b>3.4</b>	<b>0.5</b>	<b>(4.5)</b>	<b>212.4</b>	<b>–</b>	<b>–</b>	<b>212.4</b>
Net finance costs	(24.3)	–	–	(0.8)	–	4.0	(21.1)	(2.1)	0.9	(22.3)
<b>Profit on ordinary activities before taxation*</b>	<b>189.7</b>	<b>–</b>	<b>(1.0)</b>	<b>2.6</b>	<b>0.5</b>	<b>(0.5)</b>	<b>191.3</b>	<b>(2.1)</b>	<b>0.9</b>	<b>190.1</b>
Taxation*	(29.4)	–	–	(0.8)	(0.1)	0.5	(29.8)	0.6	(0.2)	(29.4)
Profit after taxation*	160.3	–	(1.0)	1.8	0.4	–	161.5	(1.5)	0.7	160.7
Profit attributable to minority interests	(0.1)	–	–	–	–	–	(0.1)	–	–	(0.1)
Profit attributable to shareholders*	160.2	–	(1.0)	1.8	0.4	–	161.4	(1.5)	0.7	160.6
Goodwill amortisation	(35.4)	35.4	–	–	–	–	–	–	–	–
Exceptional items	11.4	–	–	–	–	–	11.4	–	–	11.4
Profit attributable to shareholders	136.2	35.4	(1.0)	1.8	0.4	–	172.8	(1.5)	0.7	172.0
Earnings per share – basic	8.6p						10.9p			10.9p
Earnings per share – diluted	8.5p						10.8p			10.8p

\*before goodwill amortisation and exceptional items

# preliminary IFRS financial statements

Reconciliation of UK GAAP to preliminary IFRS balance sheet as at 30 June 2004

	UK GAAP (IFRS format) £m	IAS 19 Employee Benefits £m	IAS 12 Income Tax £m	IAS 37 Provisions £m	IFRS 3 Business Combinations £m	Other £m	Reclassifications £m	Preliminary IFRS balance sheet (audited) £m	Pro forma IAS 32/39 convertible bond £m	Pro forma IAS 32/39 Financial Instruments £m	Pro forma IFRS balance sheet (unaudited) £m
<b>Non-current assets</b>											
Goodwill	1,116.7	–	–	–	35.4	–	–	1,152.1	–	–	1,152.1
Other intangible assets	493.3	–	3.8	–	–	–	20.7	517.8	–	–	517.8
Property, plant and equipment	2,512.9	–	–	–	–	(14.8)	(7.9)	2,490.2	–	–	2,490.2
Interests in associates	71.6	–	–	–	–	–	–	71.6	–	0.1	71.7
Other financial assets	–	(6.5)	–	–	–	–	22.2	15.7	(2.4)	(0.9)	12.4
Deferred tax asset	–	30.5	–	–	–	–	–	30.5	–	–	30.5
Derivatives	–	–	–	–	–	–	–	–	–	29.0	29.0
Retirement benefit asset	–	4.8	–	–	–	–	–	4.8	–	–	4.8
	4,194.5	28.8	3.8	–	35.4	(14.8)	35.0	4,282.7	(2.4)	28.2	4,308.5
<b>Current assets</b>											
Inventories	14.8	–	–	–	–	–	–	14.8	–	–	14.8
Trade and other receivables	404.3	(9.3)	–	–	–	–	(35.7)	359.3	(0.5)	(0.3)	358.5
Available-for-sale financial assets	2.8	–	–	–	–	–	–	2.8	–	–	2.8
Derivatives	–	–	–	–	–	–	–	–	–	24.3	24.3
Cash and cash equivalents	617.4	–	–	–	–	–	–	617.4	–	–	617.4
	1,039.3	(9.3)	–	–	–	–	(35.7)	994.3	(0.5)	24.0	1,017.8
<b>Total assets</b>	5,233.8	19.5	3.8	–	35.4	(14.8)	(0.7)	5,277.0	(2.9)	52.2	5,326.3
<b>Current liabilities</b>											
Interest-bearing loans and borrowings	(271.9)	–	–	–	–	–	–	(271.9)	–	(7.3)	(279.2)
Obligations under finance leases	(16.5)	–	–	–	–	–	–	(16.5)	–	–	(16.5)
Derivatives	–	–	–	–	–	–	–	–	–	(1.0)	(1.0)
Trade and other payables	(610.0)	3.0	–	57.0	–	(0.3)	(31.5)	(581.8)	–	3.5	(578.3)
Corporation tax liabilities	(153.7)	–	–	–	–	–	–	(153.7)	–	(19.7)	(173.4)
	(1,052.1)	3.0	–	57.0	–	(0.3)	(31.5)	(1,023.9)	–	(24.5)	(1,048.4)
<b>Non-current liabilities</b>											
Interest-bearing loans and borrowings	(1,021.1)	–	–	–	–	–	–	(1,021.1)	–	(6.0)	(1,027.1)
Obligations under finance leases	(34.0)	–	–	–	–	–	–	(34.0)	–	–	(34.0)
Convertible loan notes	(300.0)	–	–	–	–	–	–	(300.0)	34.2	0.5	(265.3)
Derivatives	–	–	–	–	–	–	–	–	–	(36.0)	(36.0)
Other financial liabilities	(71.0)	15.9	–	–	–	–	32.2	(22.9)	–	–	(22.9)
Deferred tax liabilities	(207.5)	–	(246.2)	–	–	4.6	–	(449.1)	(9.4)	4.2	(454.3)
Retirement benefit obligation	–	(109.6)	–	–	–	–	–	(109.6)	–	–	(109.6)
Provisions	(19.7)	–	–	–	–	–	–	(19.7)	–	–	(19.7)
	(1,653.3)	(93.7)	(246.2)	–	–	4.6	32.2	(1,956.4)	24.8	(37.3)	(1,968.9)
<b>Total liabilities</b>	(2,705.4)	(90.7)	(246.2)	57.0	–	4.3	0.7	(2,980.3)	24.8	(61.8)	(3,017.3)
<b>Net assets</b>	2,528.4	(71.2)	(242.4)	57.0	35.4	(10.5)	–	2,296.7	21.9	(9.6)	2,309.0
<b>Equity</b>											
Called up share capital	158.4	–	–	–	–	–	–	158.4	–	–	158.4
Share premium account	1,725.6	–	–	–	–	–	–	1,725.6	–	–	1,725.6
Revaluation reserve	243.9	–	–	–	–	–	(243.9)	–	–	–	–
Equity component of convertible loan note	–	–	–	–	–	–	–	–	34.3	–	34.3
Own shares	(7.6)	–	–	–	–	–	–	(7.6)	–	–	(7.6)
Foreign currency translation	–	–	–	–	–	–	(28.6)	(28.6)	–	25.4	(3.2)
Other reserve	158.2	–	–	–	–	–	–	158.2	–	–	158.2
Retained earnings	246.2	(71.2)	(242.4)	57.0	35.4	(10.5)	272.5	287.0	(12.4)	(35.0)	239.6
<b>Equity shareholders' funds</b>	2,524.7	(71.2)	(242.4)	57.0	35.4	(10.5)	–	2,293.0	21.9	(9.6)	2,305.3
Equity minority interests	3.7	–	–	–	–	–	–	3.7	–	–	3.7
<b>Total equity</b>	2,528.4	(71.2)	(242.4)	57.0	35.4	(10.5)	–	2,296.7	21.9	(9.6)	2,309.0

# preliminary IFRS financial statements

## Independent auditor's report to Hilton Group plc on the preliminary IFRS financial statements for the year ended 31 December 2004

We have audited the preliminary International Financial Reporting Standards ("IFRS") financial statements of Hilton Group plc ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2004 which comprises the consolidated IFRS balance sheet as at 1 January 2004 and the consolidated IFRS profit and loss account and IFRS balance sheet for the year ended and as at 31 December 2004, together with the related accounting policies note, set out on pages 59 to 64 but excluding IAS 39 pro forma information. This report is made solely to the Company in accordance with our engagement letter. Our audit work has been undertaken so that we might state to the Company those matters we are required to state to them 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 for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and Ernst & Young LLP

These preliminary IFRS financial statements are the responsibility of the Company's directors and have been prepared as part of the Company's conversion to IFRS. They have been prepared in accordance with the basis set out in the accounting policies note, which describes how IFRS has been applied under IFRS 1, including the assumptions management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when management prepares its first complete set of IFRS financial statements as at 31 December 2005.

Our responsibility is to express an independent opinion, based on our audit, on the preliminary IFRS financial statements. We read the other information accompanying the preliminary IFRS financial statements and consider whether it is consistent with the preliminary IFRS financial statements. This other information comprises the description of significant changes in accounting policies on page 58. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the preliminary IFRS financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the preliminary IFRS financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated preliminary IFRS balance sheets and profit and loss account. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the preliminary IFRS financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that the accounting policies note explains why there is a possibility that the preliminary IFRS financial statements may require adjustment before constituting the final IFRS financial statements. Moreover, we draw attention to the fact that, under IFRS only a complete set of financial statements with comparative financial information and explanatory notes can provide a fair presentation of the Group's financial position, results of operations and cash flows in accordance with IFRS.

### Opinion

In our opinion, the preliminary IFRS financial statements for the year ended 31 December 2004 have been prepared, in all material respects, in accordance with the basis set out in the accounting policies note, which describes how IFRS has been applied under IFRS 1, including the assumptions management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when management prepares its first complete set of IFRS financial statements as at 31 December 2005.

### Ernst & Young LLP

London  
24 February 2005

## preliminary IFRS financial statements

### Independent review report to Hilton Group plc on the preliminary IFRS financial information for the six months ended 30 June 2004

#### Introduction

We have reviewed the preliminary International Financial Reporting Standards ("IFRS") consolidated financial information of Hilton Group plc ("the Company") and its subsidiaries (together "the Group") for the six months ended 30 June 2004 which comprises the consolidated IFRS balance sheet and the consolidated IFRS profit and loss.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the Company for our work, for this report, or for the conclusions we have formed.

#### Directors' responsibilities

The preliminary IFRS financial information is the responsibility of the Company's directors and has been prepared as part of the Company's conversion to IFRS. It has been prepared in accordance with the basis of preparation set out in the accounting policies note, which describes how IFRS has been applied under IFRS 1, including the assumptions management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when management prepares its first complete set of IFRS financial statements as at 31 December 2005.

#### Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an opinion on the preliminary IFRS financial information.

#### Emphasis of matter

Without modifying our review conclusion, we draw attention to the fact that the accounting policies note explains why there is a possibility that the preliminary IFRS financial information may require adjustment before constituting the final IFRS financial statements. Moreover, we draw attention to the fact that, under IFRS only a complete set of financial statements with comparative financial information and explanatory notes can provide a fair presentation of the Company's financial position, results of operations and cash flows in accordance with IFRS.

#### Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the preliminary IFRS financial information as presented for the six months ended 30 June 2004.

#### Ernst & Young LLP

London  
24 February 2005