Thursday 23 February 2006

Hilton Group plc

(Following completion of the sale of Hilton International to Hilton Hotels Corporation, the Group will be renamed Ladbrokes plc)

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

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Preliminary statement of results for the year to 31 December 2005

	Year to 31 December 2005 £m	Year to 31 December 2004 £m
Continuing operations		
Total Revenue	11,505.0	10,125.9
Profit from operations (1)		
Betting and Gaming	266.6	272.8
Central costs and income	(18.1)	(14.1)
	248.5	258.7
Net finance costs (1)	(16.9)	(34.1)
Profit before tax and non-trading items	**231.6**	**224.6**
Discontinued operations		
Hotels profit from operations (1)	187.5	159.0
Net finance costs (1)	(5.2)	(6.9)
	182.3	152.1
Total profit before tax and non-trading items	**413.9**	**376.7**
Non-trading items before tax	(19.9)	(0.6)
Profit before tax	**394.0**	**376.1**
EBITDA (continuing) (1)	285.7	293.6
Earnings per share (before non-trading items)		
- Continuing	11.9p	11.5p
- Total	22.0p	20.2p
Earnings per share	20.7p	20.7p
Proposed dividend per share (2)	240.0p	6.0p

(1) Before non-trading items. Non-trading items comprise unrealised gains/losses on derivatives and a one-off tax credit. Non-trading items in discontinued operations comprise profit/losses on disposal of non-current assets.
(2) Comprises proposed final dividend of 6.6 pence (2004: 6.0 pence) and proposed special dividend of 233.4 pence.

Group Highlights

- Profit before tax[(1)] has increased 9.9% to £413.9 million.
- Ladbrokes enjoyed another good year, with operating profit of £266.6 million.
- Earnings per share[(1)] for the total business of 22.0 pence has increased 8.9%.
- The sale of Hilton International to Hilton Hotels Corporation for £3.3 billion, is expected to complete later today.
- Ladbrokes has completed its capital structure review, and there will be a return of cash of up to £4.2 billion to shareholders early in Q2 2006, which equates to 240 pence per share (including final dividend of 6.6 pence per share).

Chairman's statement

"It has been a momentous year for Hilton Group, culminating in the announcement of the sale of Hilton International on 29 December 2005 for £3.3 billion, with completion expected later today.

Hilton Group enjoyed a good performance in 2005, with profit before tax and non-trading items growing by 9.9% to £413.9 million, and EPS (before non-trading items) rising by 8.9% to 22.0 pence.

The Ladbrokes business has achieved strong growth in recent years in what is a constantly changing business. After the acquisition of Jack Brown, the Ladbrokes shop estate now numbers 2,583 and our online offering has grown at 94% year on year, in terms of contribution. We are confident in the future of Ladbrokes and will continue to innovate and expand its product range and services going forward.

I am pleased to announce the conclusion of Ladbrokes capital structure review and subject to completion of the disposal of Hotels Division (which is expected to occur later today) the Board intends to recommend to shareholders the payment of dividends totaling 240.0 pence per Existing Ordinary Share (comprising a special dividend of 233.4 pence per Existing Ordinary Share and a final dividend of 6.6 pence per Existing Ordinary Share in respect of the year ended 31 December 2005).

The Board reached this decision having given careful consideration to the proposed method of returning value to shareholders and has examined a number of alternatives in an effort to balance the interests of all shareholders.

At the record date for the proposed dividend the Company will undertake a share consolidation, details of which will be sent out in a circular to shareholders, which will be posted shortly.

Taking account of the Group's expected capital requirements, potential investment opportunities and other relevant factors, the Board has concluded that a target net debt to EBITDA range of 3.5 to 3.75 times is appropriate for Ladbrokes. Assuming full conversion of the Group's convertible bonds and the exercise of employee share options, the aggregate amount of the return of value to Shareholders will amount to approximately £4,227 million. Based upon the current issued share capital the aggregate return of value to shareholders will amount to approximately £3,856 million. The Board believes that this is a very successful outcome for all shareholders.

Recognising the likely future capital expenditure requirements of the ongoing business, the Board has adopted a dividend policy of about 2 times cover in the medium term.

The Board

My Board colleagues and I are grateful to David Michels and Brian Wallace for their significant contribution to the Group, which is reflected in the growth and success of the business. Both will be resigning from the Board upon completion and we wish them success in their future endeavours.

David has been Group Chief Executive for the last six years and has very successfully steered the Group through a challenging period in both our sectors, whilst Brian, as Deputy Group Chief Executive and Group Finance Director for the past six and 11 years respectively, has made a major contribution to the financial success of the company.

We are fortunate to have Christopher Bell as Chief Executive Officer of Ladbrokes plc. Chris has led our Betting & Gaming business successfully for the last 11 years. Rosemary Thorne, previously Group Finance Director of Bradford & Bingley and Sainsbury's, joins Ladbrokes as Finance Director.

We also welcome John O'Reilly and Alan Ross to the Board, as Managing Director of eGaming & Telephone Betting and Managing Director of European Retail respectively; both have been with Ladbrokes for many years and are highly respected within their sector.

Outlook

With just a few weeks of 2006 behind us, whilst the retail estate has suffered from a loss of horseracing fixtures and some poor results, we are encouraged by the recovery in Telephone Betting and the continued success of our eGaming division. We expect 2006 to offer an action packed year on the sporting front. In June and July the World Cup promises to be the biggest betting event ever. The year ends with England's defence of the Ashes in Australia in December, which we hope will again capture the nation's betting attention. These events, together with the final stages of the Champions League, Cheltenham, Aintree, Epsom and Royal Ascot will make this an exciting year for Ladbrokes.

We will continue to see innovation in our online gaming operation, witnessed already this year by the launch of Mahjong and in the second half of the year we will see the opening of our first new bricks and mortar casino in Paddington. Internationally our consultancy agreement with China demonstrates the value of our knowledge and experience in the global market and this will be followed by agreements in other markets during 2006."

David Michels' statement

"Hilton Group made record profits in 2005, in what was a good year for both hotels and betting.

I am proud to have been associated with the company and even prouder to have led it as Group Chief Executive for six years. Hilton Group's key strengths have been its staff, its depth of management and its brands, all of which I have seen grow and develop in my time with the company.

The sale of Hilton International is, in my opinion, commercially sound in all respects and I believe that real value has been created for our shareholders. In addition:

- it will afford Ladbrokes the opportunity to stand alone with its leading brand and experienced team; and

- it will offer new opportunities for our 70,000 Hilton International employees around the globe, being part of a unified brand and the world's largest hotel company, as well as offering more new and exciting products for our customers.

It has been a long, interesting and sometimes challenging journey for Hilton Group, but a successful one!"

Christopher Bell's statement

"I am honoured to be leading Ladbrokes into the future. This new chapter in the company's journey promises to be more exciting than any in our 120-year history as we continue to differentiate our brand at home and extend our reach further internationally.

Our performance in 2005 represents our second best ever year, following the record results posted in 2004.

Highlights in 2005 included the acquisition of Jack Brown Ltd., the largest bookmaker in Wales. With the rebranding and integration process completed swiftly, we now have 2,282 shops in the UK and Ireland.

2005 also saw the development of Ladbrokes Xtra and the first phase of its roll-out. The service, which is now available in over 1,000 shops, will be available in every shop in time for the World Cup. During the event, expected to be the biggest betting event of all time, our 8 Xtra screens will be used to screen live coverage of matches, and to promote our range of odds on each match.

Xtra also enables us to offer customers a wider range of betting events including unique virtual horse and greyhound racing and horse racing from France and South Africa, as well as greyhound and horseracing from the USA. Importantly the service is under Ladbrokes' editorial control, enabling us to schedule our own broadcasts to maximise the number of betting opportunities throughout the day.

Turning to eGaming, the business has once again performed well. Active player days are up across all parts of the business, our average weekly rake in poker is up 79% and we are encouraged by the increase in our gross win conversion – 33.6% this year against last year's 23.9%.

2005 saw continued innovation with the launch of new services such as Ladbrokes Financials, which offers the opportunity to bet on five minute movements in the FTSE and Dow Jones indices, and a Live Dealer casino that combines online gaming with a live video stream of a casino dealer. The launch of a one-click casino also assisted Ladbrokescasino.com in achieving higher growth in 2005 compared to the previous year.

We have followed these with further innovations in 2006 – notably the launch of an online version of the popular Chinese game Mahjong.

Our poker site has benefited from its strategy of developing an online community that comes together around offline events, such as the Ladbrokes Poker Million and the Ladbrokes Poker Cruise.

With approaching half a million active customers in nearly 200 countries the success of the eGaming business is an early indication of the international appeal of the Ladbrokes brand. The World Cup offers a unique international recruitment opportunity and we will exploit this to the full.

Whilst Ladbrokes has already established international credentials, we will continue to seek out further opportunities in the global market. During 2006 we will conduct an early review of our position towards US gaming customers and we expect to be able to report the outcome before our interim results.

In 2005 we began a number of discussions about opportunities in markets around the world, mainly in Asia and Europe, which continue to progress. While we will only pursue deals where the investment case is a sound one, we are encouraged by these discussions and firmly believe that there is scope for international expansion.

We are also encouraged by our consultancy agreement with the China Sport Lottery (Beijing) Sales and Marketing Co., Ltd. Whilst this will not generate significant revenues for a number of years we believe it is an indication of what can be achieved in the international market and clearly illustrates the reach of the Ladbrokes brand.

Ladbrokes has strong foundations for the future. We have a strong brand, an excellent experienced management team, a track record of success and a clear strategy for growth, underpinned by sound financials. We look forward to implementing our plans for 2006 and beyond."

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A live audiocast of the presentation to analysts, together with this news release and slide presentation, will be available on Hilton Group's corporate website which can be found at www.hiltongroup.com.

An additional conference call will take place at 3pm (UK time) today and will be hosted by Christopher Bell, Chief Executive Officer, and Rosemary Thorne, Finance Director. To participate in the conference call dial +44 (0) 20 7162 0025 and ask for the Hilton Group Preliminary Results.

High-resolution print quality images to accompany this announcement can be downloaded free of charge on www.vismedia.co.uk.

Betting and Gaming

Operating Results

Gross win by business	Year to 31 December 2005 £m	Year to 31 December 2004 £m
UK Retail	683.6	652.5
Ireland & Belgium Retail	71.0	69.0
Telephone Betting	21.0	46.1
eGaming	123.1	89.3
Vernons	19.3	20.2
Betting & Gaming	918.0	877.1

Profit from operations by business	Year to 31 December 2005 £m	Year to 31 December 2004 £m
UK Retail	207.8	214.7
Ireland & Belgium Retail	11.7	13.2
Telephone Betting	(0.1)	17.8
eGaming	41.4	21.3
Vernons	5.8	5.8
Betting & Gaming	266.6	272.8

Profit is before non-trading items.

Gross win of £918.0 million increased by 4.7% despite the impact of adverse horse race margins in the key meetings in the first half, losses to High Rollers in Telephone Betting in the second half and the benefit of Euro 2004 last year. After deducting gross profits tax and VAT, gross profit of £787.8 million was up 5.2%.

Operating costs of £521.2 million increased by 9.5% largely due to the impact of shop acquisitions, new licences, relocations and extensions in Retail, further exacerbated by increases in the minimum wage and additional opening hours. The growth of the eGaming business also resulted in cost increases for content, technology provision, shared partnership payments and banking.

Operating profit was the second highest in our history at £266.6 million, £6.2 million behind last year's record £272.8 million.

Betting and Gaming (continued)

UK Retail

- At the year end Ladbrokes had 2,134 shops in the UK, an increase of 205 in the year being 188 acquisitions (including Jack Brown) and 23 new licences, less six disposals and closures. In addition 73 shops were relocated during the year, 172 were refurbished and 11 were extended, improving the quality of the estate.
- In July we acquired 141 shops from Jack Brown. Following agreement with the OFT, four of these shops are in the process of being sold. The rest have been rebranded, moved to Ladbrokes operating systems and integrated into the estate ahead of schedule. We have also closed the head office, installed an additional 210 FOBTs bringing the total to 480 and started a refurbishment program.
- Over the Counter ('OTC') gross win increased by 2.1% at £484.5 million. Excluding acquisitions and new licences, like for like OTC gross win was down 2.3%. Gross win margin was 16.1% (2004: 16.2%); as announced at the interims first half horseracing margin was impacted by poor results at major events, during the second half football margins were better than the weak prior year comparatives. For the year slippage grew by 2.5%, with stake per slip level at £8.47. Following the acquisition of Jack Brown in the second half slippage grew 3.6%, with stake per slip down 2.0% at £8.40.
- Machines gross win was £199.1 million up 12% (up 7.7% like for like), with average weekly gross win per FOBT down 6.7% to £545 (£554 excluding Jack Brown), but the average number of FOBTs increasing 24% to 6,403. The average number of AWPs reduced by 26% to 1,433 as they were replaced by FOBTs, with the average weekly gross win per AWP up by 7.4% to £232.
- Gross profit, after the cost of VAT and gross profits tax, was up 4.7% to £582.3 million.
- Operating costs (including levy) increased by 9.7% to £374.5 million. This includes the impact of acquisitions and new licences. Like for like costs increased 5.2%, with like for like shop staff costs up 7.3%, including the impact of additional hours and minimum wage increases.
- Operating profit of £207.8 million was 3.2% lower than the record performance in 2004. Jack Brown has contributed £3.0 million since its acquisition in July 2005.

Ireland & Belgium Retail

- Shop numbers in Ireland increased from 138 to 148 with three acquisitions and seven new licences. In addition eight shops were relocated during the year, six were refurbished and one extended, all targeted to improve the quality of the estate.

Betting and Gaming (continued)

- In Belgium, the number of shops decreased from 310 to 301, as unprofitable shops were closed.
- Gross win of £71.0 million was up 2.9%, with the 9% increase in Ireland, due to development activity, offsetting the 2% decline in Belgium.
- After the cost of betting tax, gross profit was £53.8 million, up 4.3%.
- Operating costs of £42.1 million increased by 9.6%, with Ireland up 17% due to the impact of development and establishment costs.
- Operating profit of £11.7 million declined by 11%, with Ireland down 9% and Belgium down 14%.

eGaming

- eGaming gross win grew by 38% to £123.1 million.
- Poker gross win grew by 79% to £41.4 million, with average monthly active player days up 111% to 411,000 and average weekly rake of £793,000.
- Casino gross win of £39.1 million was up 16%, with 64,000 average monthly active player days, up 14%, and average weekly drop of £749,000.
- Sportsbook gross win was up 25% to £33.0 million, including the contribution from Ladbrokes Financials. Average monthly active player days grew by 13% to 471,000 and stake per bet grew by 18% to £17.01, but margins reduced to 6.8% (2004: 8.3%) as the number of betting opportunities, including betting in play which tends to be a lower margin product, increased.
- Games gross win of £9.6 million grew by 57% following the launch of a number of new games during the year and average monthly active player days were up 38% to 54,000.
- Operating costs of £75.9 million increased by 20% compared to the 38% increase in gross win. A large proportion of the cost base varies proportionately to gross win or volume.
- Operating profit almost doubled to £41.4 million (2004: £21.3 million), with gross win conversion improved to 33.6% (2004: 23.9%).

Telephone Betting

- Gross win excluding High Rollers was £30.5 million, down 23% and margins reduced from 8.7% to 7.3%. In addition we had £9.5 million net losses to High Rollers (2004: £6.3 million gross win).

Betting and Gaming (continued)

- Active customers remained stable at 125,300. Excluding High Rollers, call volumes increased by 9.5%, but investment in technology and efficiencies reduced the agent cost per call by 8.7%.
- Operating costs overall were down 16% to £18.0 million, with staff costs down 5.8% despite the increase in call volumes.
- An operating loss of £0.1 million compares to an operating profit of £17.8 million in 2004, with an adverse year on year swing of £11 million due to High Rollers.

Vernons

- Vernons maintained its operating profit level of £5.8 million and customer retention rates continued to improve (79% on 'Numbers' and 89% on 'Pools').

Hotels

Operating Results

Revenue and profit from operations by region	Year to 31 December 2005 Revenue £m	Year to 31 December 2005 Profit £m	Year to 31 December 2004 Revenue £m	Year to 31 December 2004 Profit £m
United Kingdom	630.9	81.3	655.1	88.1
Europe & Africa	1,249.3	82.7	1,138.2	58.2
Middle East & Asia Pacific	726.9	27.0	652.8	18.5
The Americas	263.6	24.0	236.0	18.9
LivingWell	52.7	4.2	50.0	6.3
	2,923.4	219.2	2,732.1	190.0
Central costs	1.7	(31.7)	0.4	(31.0)
	2,925.1	**187.5**	**2,732.5**	**159.0**
Net finance costs		(5.2)		(6.9)
Profit before taxation		182.3		152.1
Memo: Scandic acquired	529.0	29.0	503.1	17.6

Revenue is that of all hotels whether owned or managed. Profit is before non-trading items and includes a contribution from franchise, management contracts and contingent lease hotels of £131.6 million (2004: £103.3 million).

Revenue per available room (RevPar) by region (like for like, constant exchange rates)	Year to 31 December 2005 £	Year to 31 December 2004 £	Change
Hilton Branded:			
United Kingdom			
- London	78.66	77.11	2.0%
- Provinces	52.82	52.51	0.6%
Total United Kingdom	63.94	63.07	1.4%
Europe & Africa	53.13	49.43	7.5%
Middle East & Asia Pacific			
- Middle East	40.09	36.14	10.9%
- Asia Pacific	50.51	46.70	8.2%
Total Middle East & Asia Pacific	45.11	41.34	9.1%
The Americas	46.51	41.79	11.3%
Total Hilton Branded	**52.29**	**49.00**	**6.7%**
Scandic Branded	**36.75**	**33.71**	**9.0%**
Total Hotels Division			
RevPar	**48.43**	**45.19**	**7.2%**
Occupancy	**70.14%**	**67.13%**	**3.0% pts**
Average room rate	**69.05**	**67.31**	**2.6%**

Hotels (continued)

Profit in the year rose by £28.5 million (17.9%) to £187.5 million. Underlying profit after adjusting for property changes, the disposal of the equity shareholding in the St Lucia Hilton and exchange rate movements increased by 17.3%.

On a worldwide basis (like for like properties at constant exchange rates) RevPar increased by 7.2%. The RevPar increase was driven by both rate (up 2.6%) and occupancy (up by 3.0 percentage points).

During the year a number of hotels have been sold in the UK, in line with the stated strategy of reducing the capital base. In April, seven hotels were sold to Stardon for consideration of £79.8 million, £7.4 million above book value. A further 16 properties were sold in November/December for £397.2 million with Hilton retaining 30 year management contracts. This represents a profit on disposal of £28.7 million before the associated goodwill write-off.

United Kingdom & Ireland

- Profit in the United Kingdom and Ireland fell by 7.7% to £81.3 million, reflecting a tough first half in the provinces and the effect of the London bombings in Q3. After adjusting for property disposals profit decline reduces to 3.4%.
- Overall like for like RevPar increased by 1.4%, driven by rate (up 3.4%).
- London recovered well from the tragic bombings in July. Fourth quarter RevPar increased by 1.4% versus the prior year.
- Performance in the provincial estate was positive, with RevPar increasing by 0.6% versus last year.

Europe & Africa

- Overall profit rose by 42.1% to £82.7 million. The Scandic acquired properties saw particularly encouraging growth (profit up 64.8%), as did a number of Hilton branded properties.
- Hilton branded RevPar was up by 7.5%, driven by occupancy (up by 4.6 percentage points). Paris, Luxembourg and Istanbul all performed well with RevPar increases in excess of 15%.
- RevPar in the Scandic properties was strong - up 9.0%, driven by an increase in occupancy (up 4.1 percentage points).
- Copenhagen and Stockholm saw the largest volume increases, which resulted in profit increases of 69.7% and 56.2% respectively.
- The owned and leased estate saw continued recovery with RevPar increasing by 7.3%.

Middle East & Asia Pacific

- The area as a whole saw good profit growth up 45.9% to £27.0 million.
- Like for like RevPar increased by 9.1% reflecting increases in both rate (up 5.6%) and occupancy (up 2.5 percentage points).
- Trading in the Middle East was particularly strong (RevPar up 10.9%) with very buoyant trading across the region.
- Egypt suffered from the bombings in Sharm El Sheik and, although none of our properties were damaged, occupancy fell dramatically. Encouragingly the fourth quarter has seen some volume return.

Hotels (continued)

- Trading in Japan has seen some signs of improvement as the economy recovers, with RevPar up 3.8%.

The Americas

- Profits rose by 27.0% to £24.0 million, as continued economic recovery in Latin America and improved leisure volume into the Caribbean drove profits higher.
- A 5.3% increase in rate and 3.7 percentage point increase in occupancy resulted in an overall increase in RevPar of 11.3%.
- In the Caribbean the Caribe Hilton saw its highest ever revenue. The new Barbados Hilton opened in July and immediately established itself in the market place with higher than expected occupancy.
- Trading in Latin America improved, especially our owned property in Sao Paulo, which saw, RevPar increase by 21.2%.
- Canada, held back by a disappointing conference market in the first half, saw business recover slightly in the second. Overall RevPar increased by 3.3%.

LivingWell

- LivingWell profit fell by 33.3% to £4.2 million.
- Profit margins were hit by the challenging macro-economic environment, lower consumer spending, increased competition and higher energy costs.
- Initiatives that focus on a personalised approach to service, personal fitness coaching and sensory beauty offerings have seen an improvement in profitability in the fourth quarter.

Operating and Financial Review

Financial review

Revenue and profit before tax	Year to 31 December 2005		Year to 31 December 2004	
	Revenue	Profit	Revenue	Profit
Continuing Operations:	£m	£m	£m	£m
Retail Betting	9,830.4	225.3	8,905.8	233.7
Other Betting and Gaming	1,675.1	41.3	1,219.9	39.1
Total Betting and Gaming	11,505.5	266.6	10,125.7	272.8
Central costs and income	(0.5)	(18.1)	0.2	(14.1)
	11,505.0	248.5	10,125.9	258.7
Net finance costs	-	(16.9)	-	(34.1)
	11,505.0	231.6	10,125.9	224.6
Discontinued Operations:				
Hotels	1,849.4	187.5	1,771.2	159.0
Net finance costs	-	(5.2)	-	(6.9)
	1,849.4	182.3	1,771.2	152.1
	13,354.4	413.9	11,897.1	376.7

Profit is before non-trading items.

International Financial Reporting Standards (IFRS)

For the first time the Group has prepared its annual accounts under IFRS as adopted by the European Union. Comparative financial information as reconciled to that formerly presented under UK GAAP was presented in the 2004 annual report. The impact of conversion to IFRS has had no cash impact and no adjustments have been made to the information previously disclosed, other than to reflect the classification of results of the continuing and discontinued operations of the Group. As explained in more detail in note 3, on 29 December the Group signed a conditional agreement with HHC for the sale of its hotel and leisure division, Hilton International. In accordance with IFRS 5, the results of these activities have been presented as discontinued operations.

Trading summary – Continuing operations

Revenue for continuing operations increased by £1.4 billion (14%) to £11.5 billion, mainly as a result of higher FOBTs in Retail and growth in both eGaming and Telephone revenue in Other Betting and Gaming.

Central costs and income includes the results of an associate that was previously classified as part of the hotel segment but was not included within the conditional disposal agreement of the Hotels division. Net costs have increased by £4.0 million predominantly due to share award costs.

Profit before finance costs and non-trading items decreased 4% to £248.5 million (2004: £258.7 million) reflecting a decrease in Retail Betting profits of £8.4 million (4%) to £225.3 million and an increase in Other Betting and Gaming profits of £2.2 million (6%) to £41.3 million, together with the £4.0 million increase in central costs.

Finance costs

The net finance costs have been disclosed as either continuing or discontinued operations, based on where the underlying debt and cash are recorded. The net finance costs of the continuing operations of £16.9 million were 50% below last year (£34.1 million), reflecting lower average debt, the favourable impact of lower interest rates and an accounting benefit following the release of interest accruals no longer required.

Profit before tax – Continuing operations

Lower financing costs have been partially offset by the reduced trading profits to give a 3% increase in profit before taxation and non-trading items to £231.6 million (2004: £224.6 million).

Trading summary - Discontinued operations

Revenue for discontinued operations increased by £78.2 million (4%) to £1,849.4 million, giving an increase in profit before finance costs of £28.5 million (18%) to £187.5 million. The net finance costs of the discontinued operations of £5.2 million were 25% below last year giving an increase in profit before tax of £30.2 million (20%).

Non-Trading items

The £19.9 million non-trading loss relates to the disposal of non-current assets (£28.0 million loss in discontinued operations, which includes a £100 million goodwill write off associated with the hotel disposals), partially offset by unrealised gains on derivatives in continuing operations (£8.1 million). There is a related tax charge of £0.9 million on these non-trading items, with a £1.5 million credit in discontinued operations offset by a £2.4 million charge within continuing operations.

Taxation

The Group taxation charge before non-trading items of £62.1 million represents an effective tax rate of 15.0% (2004: 15.5%). The rate reflects continued initiatives to reduce the underlying rate. Of the total tax charge before non-trading items, £40.9 million relates to continuing operations and £21.2 million relates to discontinued operations. This allocation across continuing and discontinued operations is based upon the taxable profits reported within the statutory entities. The 2006 rate for continuing operations is expected to be in the range of 25% to 30%.

Earnings per share (EPS) – Continuing operations

EPS (before non-trading items) increased 3.5% to 11.9 pence (2004: 11.5 pence), reflecting the increased profit before tax. EPS (including the impact of non-trading items) was 12.3 pence (2004: 12.1 pence). Fully diluted EPS was 12.0 pence (2004: 11.6 pence) after adjustment for outstanding share options and the convertible bond.

Earnings per share (EPS) – Group

EPS (before non-trading items) increased 9% to 22.0 pence (2004: 20.2 pence), reflecting the increased profit before tax. EPS (including the impact of non-trading items) was 20.7 pence (2004: 20.7 pence). Fully diluted EPS was 19.7 pence (2004: 19.5 pence) after adjustment for outstanding share options and the convertible bond.

Antepost Bets

The accounting treatment of antepost bets under IFRS is currently under discussion across the betting industry. Ladbrokes have recorded antepost bets as deferred revenues for 2005, which is consistent with the treatment on transition to IFRS and under UK GAAP in previous years. The alternative treatment under discussion is to recognise antepost bets as financial instruments. Had antepost bets been accounted for as financial instruments in the year ended 31 December 2005, revenue from betting would have been reported as gross win rather than the gross amount staked, with antepost bets at 31 December 2005 being measured at their fair value. The estimated impact on profit of measuring antepost bets at fair value at 31 December 2005, rather than treating them as deferred revenue, is not material. Discussions are continuing with a view to arriving at consensus in the industry on the appropriate accounting treatment of antepost bets.

Cash flow, capital expenditure and borrowings

	Year to 31 December 2005 £m	Year to 31 December 2004 £m
Cash generated by operations	553.4	549.6
Property, plant & equipment capital expenditure	(196.9)	(174.9)
Intangible asset capital expenditure	(45.4)	(40.7)
Operating Cash Flow	**311.1**	**334.0**
Disposals	540.9	40.1
Other	5.5	19.1
Interest and tax paid	(94.9)	(98.6)
Free Cash Flow	**762.6**	**294.6**
Acquisitions	(78.0)	-
Dividends	(156.8)	(144.5)
Net Cash Flow	**527.8**	**150.1**
Issue of shares	38.1	7.8
Exchange & non-cash movements	8.1	17.9
Net Debt movement	**574.0**	**175.8**
Opening Net Debt	(971.9)	(1,147.7)
Net Debt movement	574.0	175.8
Closing Net Debt	**(397.9)**	**(971.9)**

Cash flows generated by operations of £553.4 million was up £3.8 million due to the £19.4 million increase in the total Group's EBITDA, being partially offset by adverse working capital movements.

Capital expenditure on property, plant and equipment of £196.9 million increased by £22.0 million and included £27.6 million of acquisition linked development in hotels, relating to the major refurbishment in the Sydney and Düsseldorf properties. Intangible asset capital expenditure of £45.4 million (mainly betting shop licences) increased by £4.7 million. Proceeds from disposal of non-current assets of £540.9 million include £539.5 million relating to hotel disposals – with the most significant being the sale of 16 hotels to The Managed Hotels Unit Trust for £397.2 million.

Acquisition cash outflow of £78.0m includes the acquisition of Jack Brown bookmakers.

At 31 December 2005, the Group had gross borrowings of £1,392.5 million and cash, deposits and short-term investments of £994.6 million, resulting in adjusted net debt of £397.9 million (31 December 2004: £971.9 million). The £574.0 million decrease in net debt includes an adverse exchange translation impact of £5.8 million.

Capital structure review

The Board is pleased to announce the conclusion of its capital structure review for the ongoing Ladbrokes plc (the "Company"). Taking account of the Company's expected capital requirements, potential investment opportunities and other relevant factors, the Board has concluded that a target net debt to EBITDA range of 3.5 to 3.75 times is appropriate for Ladbrokes. The final debt level, following the disposal and the payment of the special dividend and the 2005 final dividend, will depend in part on whether holders of the Company's 3.375 per cent Guaranteed Convertible Bonds 2010 and holders of the Company's employee share options elect to convert their bonds into ordinary shares or, as applicable, exercise their options before the record date for those dividends.

Subject to completion of the disposal of the Hilton International Hotels Division (which is expected to occur later today) the Board intends to recommend to shareholders on the record date (which is expected to be 13 April 2006) the payment of dividends totalling 240 pence per Ordinary Share (comprising a special dividend of 233.4 pence per Ordinary Share and a final dividend of 6.6 pence per Ordinary Share in respect of the year ended 31 December 2005).

Payment of the final dividend will be subject to the passing of an ordinary resolution approving it at an Extraordinary General Meeting of the Company. Payment of the special dividend will also be subject to the passing of resolutions by the shareholders at that Extraordinary General Meeting approving (i) an amendment to the borrowing limit in, and certain other amendments to, the Company's Articles of Association, (ii) the payment of the special dividend and (iii) a consolidation of the Company's share capital. Subject to the passing of the necessary resolutions, the final dividend and the special dividend are both expected to be paid on 25 April 2006.

Payment of the final dividend and the special dividend will also be subject to the Group completing an internal restructuring and the Company filing interim accounts at the Companies Registry showing reserves arising from that restructuring, sufficient to enable the Company lawfully to pay those dividends. This restructuring is expected to be completed, and the interim accounts filed, shortly (and in any case before the Extraordinary General Meeting is held).

Details will be set out in a circular, containing the notice convening the necessary Extraordinary General Meeting, which will posted to shareholders shortly. A resolution will also be proposed at that meeting to renew the Company's authority under section 166 of the Companies Act 1985 to make market purchases of its own shares (as, for technical reasons, the existing authority will no longer be available when share consolidation takes effect).

The Board has given careful consideration to the method of returning value to its shareholders. A number of options were considered and, after consulting leading tax counsel, the Board concluded that a payment of a special dividend was in the interests of all shareholders.

The aggregate amount of the dividends to be paid (240 pence per Ordinary Share) was calculated taking into account, amongst other things, the £3.298 billion net cash consideration for the sale of the Hilton International Hotels Division, the £397.2 million proceeds from the sale of the 16 hotels to The Managed Hotels Unit Trust, transaction costs, additional borrowings (consistent with the desired gearing level referred to above) and the contribution which the Company is required to make to the Hilton Group Pension Plan at completion under the terms of the agreement for the sale of the Hilton International Hotels division (under which it agreed to contribute 50 percent of the deficit calculated on the more prudent of the IAS 19 basis as at the date of completion or the trustee funding basis as at 1 July 2005). This contribution is not expected materially to exceed £55.5 million.

Assuming full conversion of the Company's 3.375 per cent Guaranteed Convertible Bonds 2010 and the exercise of employee share options, the special dividend of 233.4 pence per Ordinary Share will amount to approximately £4,227 million in aggregate, representing approximately 62 per cent of the Company's market capitalisation (based on the closing mid-market price of 382.75 pence per Existing Ordinary Share on 22 February 2006, being the latest practicable date prior to the date of this announcement, the proposed final dividend of 6.6 pence per share).

At the record date for the proposed special dividend the Company will undertake a share consolidation, the effect of which will be to reduce the number of Ordinary Shares in issue by an amount approximately equal to the special dividend as a proportion of the current aggregate price of the Ordinary Shares. The Board believes it is appropriate to consolidate the Company's share capital as this will allow comparability of the Company's share price and dividend per share before and after the payment of the special dividend. The share consolidation is also intended to maintain the position of participants under the Group's share option schemes who will, after the consolidation, retain options with substantially the same economic value as they had immediately before it.

As all shareholdings in the Company will be consolidated, shareholders' percentage holdings in the issued share capital of the Company will (save in respect of fractional entitlements) remain unchanged. Similarly, although the nominal value of each Ordinary Share will change, the new Ordinary Shares will have the same rights, including voting and dividend rights, as the existing Ordinary Shares.

Fractional entitlements to new Ordinary Shares arising on consolidation will be aggregated and sold in the market for the best price reasonably obtainable, and the net proceeds will be paid to the shareholders entitled to them, save that amounts of less than £1 will be paid to charity.

Hilton Group Finance (Jersey) Limited £300,000,000 3.375 per cent. Guaranteed Convertible Bonds due 2010

The Exchange Price of the Convertible Bonds (which determines the number of Ordinary Shares which a holder receives on exercising his conversion right) will be adjusted as a result of the payment of the special dividend and the final dividend and as a result of the share consolidation.

The return of value comprising the special dividend and the final dividend together amount, in part, to a "Capital Distribution" under the terms of the Convertible Bonds the payment of which gives rise to an adjustment. The return of value will only be treated as a Capital Distribution to the extent that the aggregate amount of the distributions charged or provided for in the Company's accounts in the current financial year exceeds 120 per cent of the distributions charged or provided for in the Company's accounts for the year ended on 31 December 2005. The share consolidation will also trigger an adjustment of the Exchange Price under the Convertible Bonds linked to the proportion which the nominal amount of each new Ordinary Share bears to the nominal amount of each existing Ordinary Share.

Subject to the passing of the relevant resolutions and (in the case of the dividend adjustment) the payment of the final dividend and special dividend, the Exchange Price of the Convertible Bonds will be adjusted as regards the share consolidation on the date on which the consolidation occurs (which is expected to be 13 April 2006) and, as regards the payment of the dividends, on the date on which those dividends are paid (which is expected to be 25 April 2006, but with retrospective effect to the record date for the dividends, which is expected to be 13 April 2006).

Assuming that the Company pays an interim dividend in 2006 a further adjustment will be made at the time of payment of that interim dividend.

Further details of the calculation of the Exchange Price adjustment can be found in paragraph (b)(iii) of the "Summary of the Articles of the Issuer relating to the Share Exchange Rights" on page 19 of the Offering Circular in respect of the Convertible Bonds issued by the Company and Hilton Finance (Jersey) Limited on 15 October 2003.

Consolidated income statement

	Year to 31 December 2005		Year to 31 December 2004	
	Before non-trading items*	Total	Before non-trading items*	Total
	£m	£m	£m	£m
Continuing Operations				
Revenue	11,502.4	11,502.4	10,122.6	10,122.6
Share of results from associated undertakings	2.6	2.6	3.3	3.3
Total revenue	11,505.0	11,505.0	10,125.9	10,125.9
Cost of sales before depreciation	(11,139.7)	(11,139.7)	(9,758.7)	(9,758.7)
Administrative expenses	(79.6)	(79.6)	(73.6)	(73.6)
EBITDA	285.7	285.7	293.6	293.6
Depreciation and amounts written off non - current assets	(37.2)	(37.2)	(34.9)	(34.9)
Profit before tax and finance costs	248.5	248.5	258.7	258.7
Finance costs	(59.5)	(60.5)	(74.8)	(74.8)
Finance income	42.6	51.7	40.7	40.7
Profit before taxation	231.6	239.7	224.6	224.6
Income tax expense	(40.9)	(40.9)	(41.9)	(41.9)
Tax on non-trading items	-	(2.4)	-	-
Non-trading tax credit	-	-	-	9.0
Profit for the year – continuing operations	190.7	196.4	182.7	191.7
Discontinued operations				
Profit for the period from discontinued operations	161.1	134.6	136.9	136.3
Profit for the year	351.8	331.0	319.6	328.0
Attributable to:				
Minority interests	0.2	0.2	0.1	0.1
Equity holders of the parent	351.6	330.8	319.5	327.9
	351.8	331.0	319.6	328.0
Earnings per share from continuing operations:				
- basic	11.9p	12.3p	11.5p	12.1p
- diluted	11.7p	12.0p	11.1p	11.6p
Earnings per share on profit for the year:				
- basic	22.0p	20.7p	20.2p	20.7p
- diluted	20.9p	19.7p	19.0p	19.5p

** Non-trading items are one-off tax credits and unrealised gains on derivatives.*

Consolidated balance sheet

	31 December 2005 £m	31 December 2004 £m
ASSETS		
Non-current assets		
Goodwill and intangible assets	386.0	1,722.0
Property, plant and equipment	199.0	2,528.9
Interests in associates and other investments	(12.8)	57.1
Other financial assets	2.3	7.9
Deferred tax asset	16.6	39.1
Derivatives	51.7	-
Retirement benefit asset	-	1.8
	642.8	4,356.8
Current assets		
Inventories	-	15.8
Trade and other receivables	88.1	327.2
Assets classified as held for sale	2.2	2.8
Derivatives	8.5	-
Cash and cash equivalents	926.6	483.3
	1,025.4	829.1
Assets of disposal group classified as held for sale	3,767.9	-
Total assets	**5,436.1**	**5,185.9**
LIABILITIES		
Current liabilities		
Interest-bearing loans and borrowings	(158.2)	(115.6)
Obligations under finance leases	-	(17.6)
Derivatives	(41.7)	-
Trade and other payables	(181.9)	(582.7)
Corporation tax liabilities	(206.7)	(172.6)
	(588.5)	(888.5)
Non-current liabilities		
Interest-bearing loans and borrowings	(847.7)	(987.5)
Obligations under finance leases	-	(34.5)
Convertible bond	(279.7)	(300.0)
Derivatives	(5.1)	-
Other financial liabilities	-	(16.5)
Deferred tax liabilities	(86.6)	(433.6)
Retirement benefit obligation	(55.2)	(130.4)
Provisions	(9.4)	(18.4)
	(1,283.7)	(1,920.9)
Liabilities of disposal group classified as held for sale	(968.2)	-
Total liabilities	**(2,840.4)**	**(2,809.4)**
Net assets	**2,595.7**	**2,376.5**
EQUITY		
Called up share capital	160.6	158.6
Share premium account	1,767.7	1,729.6
Equity component of convertible bond	34.3	-
Own shares	(16.0)	(14.5)
Foreign currency translation reserve	4.7	(3.0)
Other reserves	158.2	158.2
Retained earnings	483.2	344.7
Equity shareholders' funds	**2,592.7**	**2,373.6**
Equity minority interests	3.0	2.9
Total Equity	**2,595.7**	**2,376.5**

Consolidated cash flow

	Year to 31 December 2005 £m	Year to 31 December 2004 £m
Net cash flows from operating activities	420.3	407.8
Cash flows from investing activities		
Interest received	38.2	43.2
Dividends received from associates	4.2	2.3
Payments for intangible assets	(45.4)	(40.7)
Purchase of plant, property and equipment	(196.9)	(174.9)
Proceeds from the sale of property, plant and equipment	539.5	38.6
Purchase of subsidiaries	(76.5)	-
Net cash acquired with subsidiaries	4.4	-
Purchase of interests in associates and other investments	(5.9)	-
Proceeds from return of capital in associates	1.1	-
Proceeds on disposal of investments	0.3	1.5
	263.0	(130.0)
Cash flows from financing activities		
Proceeds from issue of shares	38.1	7.8
Proceeds from borrowings	1.3	15.3
Proceeds from associates repayment of loans	1.5	17.9
Payments of finance lease liabilities	(2.1)	(1.9)
Repayment of borrowings	(57.6)	(287.5)
Payments of new loans to associates	(0.2)	(1.1)
Decrease in deposits - maturity greater than three months	2.5	103.5
Dividends paid	(156.8)	(144.5)
	(173.3)	(290.5)
Net increase/(decrease) in cash and cash equivalents	510.0	(12.7)
Net foreign exchange difference	6.3	(2.1)
Cash and cash equivalents at beginning of period	459.5	474.3
Cash and cash equivalents at end of period	**975.8**	**459.5**
Cash and cash equivalents comprise:		
Cash at bank and in hand and current asset investments	992.0	478.2
Bank overdraft	(16.2)	(18.7)
	975.8	459.5
Analysed as:		
Continuing operations	926.3	459.5
Discontinued operations	49.5	-
	975.8	459.5

Consolidated statement of recognised income and expenditure

	Year to 31 December 2005 £m	Year to 31 December 2004 £m
Currency translation differences	7.6	(2.9)
Actuarial losses on defined benefit pension scheme	(18.9)	(10.6)
Gains on net cashflow hedges	0.6	-
Tax on items directly taken to equity	(0.9)	3.1
Total income and expenses recognised directly in equity	(11.6)	(10.4)
Profit for the year	331.0	328.0
Total recognised income and expense for the year	319.4	317.6
Attributable to:		
Equity holders of the parent	319.3	318.3
Minority interest	0.1	(0.7)
	319.4	317.6

Effects of changes in accounting policy:

Attributable to equity holders of the parent		
- decrease in retained earnings at the beginning of the year	(22.5)	-
- increase due to the equity portion of the convertible bond at the beginning of the year	34.3	-
Attributable to minority interest	-	-
	11.8	-

Notes to the accounts

1. Basis of preparation

(a) The consolidated accounts of Hilton Group plc and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the accounts of the Group for the year ended 31 December 2005 for the first time. As permitted by IFRS 1, the Group has applied IAS 32 and 39 from 1 January 2005. Reconciliations between UK GAAP and IFRS for the full year to 31 December 2004 can be found in the Group's 2004 statutory accounts.

The financial information set out in this document does not constitute the Group's statutory accounts for the year ended 31 December 2005 or 31 December 2004. The annual report and accounts for the year ended 31 December 2005 were approved by the Board of Directors yesterday, along with this preliminary announcement, but have not yet been delivered to the Registrar of Companies. The auditors' report on the statutory accounts for 2005 was unqualified and did not contain a statement under section 237 of the Companies Act 1985. Statutory accounts for 2004 have been delivered to the Registrar of Companies. The auditors' report on the statutory accounts for 2004 was unqualified and did not contain a statement under section 237 of the Companies Act 1985.

The 2005 report and accounts, together with details of the dividend arrangements and the annual general meeting, will be despatched to shareholders on 22 March 2006. The annual general meeting will take place at the QE2 Conference Centre at 11.00am on 26 May 2006.

(b) To assist in understanding the underlying performance of the Group has defined the following items of income and expense as non-trading in nature:

- Profits/losses on disposal of non-current assets
- Profits/losses on disposal of businesses and investments
- Unrealised gains/losses on derivative financial instruments that provide an economic hedge but for which hedge accounting is not available
- Litigation settlements

The non-trading items have been included within the appropriate classification in the consolidated income statement.

(c) The changes in accounting policies result from adoption of the following new or revised standards:

IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement'

The Group adopted IAS 32 (Financial Instruments, Disclosure and Presentation) and IAS 39 (Financial Instruments, Recognition and Measurement) on 1 January 2005.
The transitional rules of IAS 32 and IAS 39 have not been applied since the Group has adopted the relief provided by IFRS 1 regarding the restatement of the comparative information.
The Group has produced an explanatory note setting out its accounting policies under IFRS, the major differences between UK GAAP and IFRS for the Group, and reconciliations of UK GAAP and IFRS for its 2004 Income Statement and its Balance Sheets at 1 January 2004 and 31 December 2004, and pro-forma effect for the adoption of IAS 32 and IAS 39 as at 1 January 2004 and 31 December 2005. This information can be found either within the 2004 Annual Report or at the Investor Centre at www.hiltongroup.com.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The Group has applied IFRS 5 prospectively from 1 January 2005 in accordance with the transitional provisions of IFRS 5, which has resulted in a change in accounting policy on the recognition of a discontinued operation.

(d) For all periods up to and including the year ended 31 December 2004, the Group prepared its consolidated accounts in accordance with UK generally accepted accounting practice (UK GAAP). From 1 January 2005 the Group is required to prepare consolidated financial statements in accordance with IFRS as adopted for use in the European Union. Consequently, financial information for the year ended 31 December 2005 are the first to have been prepared on the basis of IFRS.

The general principle that should be applied for first-time adoption of IFRS is that standards in force at the first reporting date (that is, for the Group, 31 December 2005) should be applied retrospectively. However, IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’ contains a number of exemptions which companies are permitted to apply. The Group has elected:

- not to revisit the basis of accounting for pre-transition combinations under UK GAAP. The initial carrying amount of assets and liabilities acquired in such business combinations is deemed to be equivalent to cost.
- to retain UK GAAP carrying values of freehold and leasehold hotels including revaluations as deemed cost at transition.
- to recognise the cumulative net deficit on defined benefit pension schemes and similar benefits at transition date in full in equity.
- to apply IFRS 2 ‘Share-based Payments’ retrospectively to all grants of equity instruments after 7 November 2002 that had not vested at 1 January 2005.
- not to present comparative information in accordance with IAS 32 ‘Financial Instruments: Disclosure and Presentation’ and IAS 39 ‘Financial Instruments: Recognition and Measurement’.

As a result of the above exemptions certain changes apply from 1 January 2004 (the Group’s date of transition) followed by further changes (due to IAS 32 and IAS 39) to apply from 1 January 2005. In the financial information for the year ended 31 December 2004, financial assets and financial liabilities are accounted for on the basis of UK GAAP.

Under UK GAAP, all derivative financial instruments used for hedging purposes are recognised by applying the accrual method. Under the accrual method, the net interest received or paid is recognised on an accrual basis in the Group’s income statement. The notional principal of an interest rate swap is recorded off balance sheet. For cross currency swaps, the swapped currency is recorded on the balance sheet. Changes in the derivative’s fair value are not recognised.

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 dependent 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.

Under IAS 39, the Group’s £300 million convertible bond is required to be split into debt and equity components, net of issue costs. Under UK GAAP, the convertible bond was recorded at nominal value.
The effect of adopting IAS 39 at 1 January 2005 is shown as a movement in the Group shareholders’ equity for 2005.

2. Revenue and profit by activity

Year to 31 December 2005	Revenue £m	Profit before taxation and non-trading items £m	Profit before taxation and after non-trading items £m
Continuing operations:			
Retail Betting	9,830.4	225.3	225.3
Other Betting and Gaming	1,675.1	41.3	41.3
Total Betting and Gaming	11,505.5	266.6	266.6
Central costs and income	(0.5)	(18.1)	(18.1)
	11,505.0	248.5	248.5
Net finance costs	-	(16.9)	(8.8)
	11,505.0	231.6	239.7
Discontinued operations:			
Hotels	1,849.4	187.5	159.5
Net finance costs	-	(5.2)	(5.2)
	1,849.4	182.3	154.3
	13,354.4	413.9	394.0

Year to 31 December 2004	Revenue £m	Profit before taxation and non-trading items £m	Profit before taxation and after non-trading items £m
Continuing operations:			
Retail Betting	8,905.8	233.7	233.7
Other Betting and Gaming	1,219.9	39.1	39.1
Total Betting and Gaming	10,125.7	272.8	272.8
Central costs and income	0.2	(14.1)	(14.1)
	10,125.9	258.7	258.7
Net finance costs	-	(34.1)	(34.1)
	10,125.9	224.6	224.6
Discontinued operations:			
Hotels	1,771.2	159.0	158.4
Net finance costs	-	(6.9)	(6.9)
	1,771.2	152.1	151.5
	11,897.1	376.7	376.1

3. Discontinued Operations

On 29 December 2005 Hilton Group plc signed a conditional agreement for the sale of its hotels and leisure division, Hilton International, to HHC for a cash consideration of approximately £3.3 billion. Completion is expected to be later today. Under the terms of the deal, Hilton International, including LivingWell and Scandic, will become part of HHC. Based on this, discontinued operations comprise the Group's hotels operations, and as such are disclosed under the Hotels segment.

	Year to 31 December 2005 £m	Year to 31 December 2004 £m
Revenue	1,849.4	1,771.2
Expenses	(1,661.9)	(1,612.2)
Profit before non-trading items	187.5	159.0
Non-trading items:		
Profit on sale of non-current assets [a]	12.8	5.9
Losses on sale of non-current assets [b]	(40.8)	(6.5)
Profit before tax and finance costs	159.5	158.4
Net finance costs	(5.2)	(6.9)
Profit before tax from discontinued operations	154.3	151.5
Taxation:		
- related to pre tax profit	(21.2)	(15.2)
- related to non-trading items [c]	1.5	-
Profit for the year from discontinued operations	134.6	136.3

(a) The profit on sale of non-current assets in 2005 and 2004 relates to disposal of non-core assets.
(b) The majority of the loss on sale of non-current assets in 2005 relates to the disposal of 16 hotels to The Managed Hotels Unit Trust with an associated goodwill write-off.
(c) There is no tax on the 2004 profit / losses on non-current assets.

The major classes of assets and liabilities of the Hotel division held for sale at 31 December 2005 are as follows:

	31 December 2005 £m
ASSETS	
Non-current assets	
Goodwill and intangible assets	1,382.8
Property, plant and equipment	1,926.9
Interests in associates and other investments	73.2
Other financial assets	5.2
Deferred tax asset	26.5
Retirement benefit asset	0.4
	3,415.0
Current assets	
Inventories	15.1
Trade and other receivables	269.8
Cash and cash equivalents	68.0
	352.9
Total assets held for sale	**3,767.9**
LIABILITIES	
Current liabilities	
Interest-bearing loans and borrowings	(48.3)
Obligations under finance leases	(2.6)
Trade and other payables	(420.9)
Corporation tax liabilities	(10.7)
	(482.5)
Non-current liabilities	
Interest-bearing loans and borrowings	(12.3)
Obligations under finance leases	(31.0)
Other financial liabilities	(20.8)
Deferred tax liabilities	(329.3)
Retirement benefit obligation	(88.7)
Provisions	(3.6)
	(485.7)
Total liabilities held for sale	**(968.2)**

During the year, the Hotel Division contributed £314.2 million (2004: £263.3 million) to the Group's net operating cash flows, received £401.0 million (2004: paid £97.5 million) in respect of investing activities and paid £33.8 million (2004: £35.3 million) in respect of financing activities.

Income and expenses recognised directly in equity relating to the disposal group classified as held for sale:

	Year to 31 December 2005 £m	Year to 31 December 2004 £m
Currency translation differences	9.2	16.6
Actuarial losses on defined benefit pension scheme	(10.9)	(8.9)
Tax on items directly taken to equity	3.3	2.7
Total income and expenses recognised directly in equity	1.6	10.4

4. Non-Trading items

	Year to 31 December 2005 £m	Year to 31 December 2004 £m
Continuing operations:		
Unrealised gains on derivatives	8.1	-
Total non-trading profit before taxation	8.1	-
Taxation thereon	(2.4)	-
Non-trading tax credit [(a)]	-	9.0
Non-trading items after taxation	5.7	9.0

(a) The £9.0 million non-trading tax credit in 2004 relates to a specific case settled during the period where related losses were previously treated as non-trading items.

5. Taxation

The total tax charge for continuing operations was £43.3 million (December 2004: £32.9 million, including a non-trading tax credit of £9.0 million). The taxation charge relates to £37.8 million of UK tax and £5.5 million of overseas tax.

	Year to 31 December 2005 £m	Year to 31 December 2004 £m
UK corporation tax based on the taxable profit for the year at a rate of 30.0% (2004: 30.0%)	118.2	112.8
Non-trading tax credit	-	(9.0)
Overseas tax	(38.7)	(28.7)
Utilisation of losses	(25.8)	(6.0)
Other	9.3	1.4
Utilisation of prior year tax losses not previously treated as a deferred tax asset	-	(22.4)
Total tax charge	63.0	48.1
Analysed as:		
Discontinued operations tax charge	19.7	15.2
Continuing operations tax charge	43.3	32.9
	63.0	48.1

6. Dividends

Pence per share	Year to 31 December 2005 pence	Year to 31 December 2004 pence
Interim	3.80	3.60
Final (excluding special dividend)	6.60	6.00
	10.40	9.60

The dividends paid in 2005 and 2004 were £156.8 million (9.80 pence per share) and £144.4 million (9.12 pence per share) respectively. A final year end dividend of 6.60 pence per share (2004: 6.00 pence per share) amounting to a total dividend of £106.0 million (2004: £95.9 million) was declared by the Directors on 22 February 2006. In addition the Board also proposes a special dividend of 233.4 pence which will be paid at the same time as the final dividend of 6.6 pence. These financial statements do not reflect this dividend payable.

7. Earnings per share

The calculation of adjusted earnings per share before non-trading items is included as it provides a better understanding of the underlying performance of the Group.

Continuing operations:

31 December 2005	Earnings £m	Diluted earnings* £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	196.4	207.9	12.3p	12.0p
Non-trading items net of tax	(5.7)	(5.7)	(0.4)p	(0.3)p
Adjusted profit attributable to shareholders	190.7	202.2	11.9p	11.7p

31 December 2004	Earnings £m	Diluted earnings* £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	191.7	198.8	12.1p	11.6p
Non-trading items net of tax	(9.0)	(9.0)	(0.6)p	(0.5)p
Adjusted profit attributable to shareholders	182.7	189.8	11.5p	11.1p

Discontinued operations:

31 December 2005	Earnings £m	Diluted earnings £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	134.4	134.4	8.4p	7.7p
Non-trading items net of tax	26.5	26.5	1.7p	1.5p
Adjusted profit attributable to shareholders	160.9	160.9	10.1p	9.2p

31 December 2004	Earnings £m	Diluted earnings £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	136.2	136.2	8.6p	7.9p
Non-trading items net of tax	0.6	0.6	0.1p	-
Adjusted profit attributable to shareholders	136.8	136.8	8.7p	7.9p

Total Group:

31 December 2005	Earnings £m	Diluted earnings* £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	330.8	342.3	20.7p	19.7p
Non-trading items net of tax	20.8	20.8	1.3p	1.2p
Adjusted profit attributable to shareholders	351.6	363.1	22.0p	20.9p

31 December 2004	Earnings £m	Diluted earnings* £m	Basic EPS pence per share	Diluted EPS pence per share
Profit attributable to shareholders	327.9	335.0	20.7p	19.5p
Non-trading items net of tax	(8.4)	(8.4)	(0.5)p	(0.5)p
Adjusted profit attributable to shareholders	319.5	326.6	20.2p	19.0p

*Diluted earnings includes an adjustment to the attributable profits for the Continuing Group to reflect a reduction in the interest charge net of tax of £11.5 million (2004: £7.1 million) which would result from the conversion of the convertible bond to equity.

The number of shares used in the calculation is shown below:

	Year to 31 December 2005 millions	Year to 31 December 2004 millions
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,599.4	1,584.2
Effect of dilutive potential ordinary shares:		
Share options	14.0	12.5
Convertible bond conversion to ordinary share capital	115.4	115.4
Issue of contingently issuable shares	4.6	3.4
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	1,733.4	1,715.5

8. Net debt

The Group's net debt structure is as follows:

	Continuing operations 31 December 2005 £m	Discontinued operations 31 December 2005 £m	Total 31 December 2005 £m	Total 31 December 2004 £m
Non-current assets				
Derivative financial instruments	51.7	-	51.7	-
Current assets				
Derivative financial instruments	8.5	-	8.5	-
Cash and cash equivalents	926.6	68.0	994.6	483.3
Current liabilities				
Interest-bearing loans and borrowings	(158.2)	(48.3)	(206.5)	(115.6)
Obligations under finance leases	-	(2.6)	(2.6)	(17.6)
Derivative financial instruments	(41.7)	-	(41.7)	-
Non-current liabilities				
Interest-bearing loans and borrowings	(847.7)	(12.3)	(860.0)	(987.5)
Obligations under finance leases	-	(31.0)	(31.0)	(34.5)
Convertible bond	(279.7)	-	(279.7)	(300.0)
Derivative financial instruments	(5.1)	-	(5.1)	-
Net debt per balance sheet	(345.6)	(26.2)	(371.8)	(971.9)
Net debt adjustments :				
Equity component of convertible bond			(34.3)	-
Amortisation of convertible bond			7.3	-
Interest rate fair value of net investment hedges			0.9	-
Adjusted Net Debt			**(397.9)**	**(971.9)**

Adjusted net debt movement in the period:

	Year to 31 December 2005 £m	Year to 31 December 2004 £m
Opening net debt	(971.9)	(1,147.7)
Net debt adjustments at 1 January 2005	(4.1)	-
Adjusted opening net debt	(976.0)	(1,147.7)
Net cash inflow from operating activities	420.3	407.8
Cash inflows/(outflows) from investing activities	263.0	(130.0)
Proceeds from associates repayment of loans	1.5	17.9
Payment of new loans to associates	(0.2)	(1.1)
Dividends paid	(156.8)	(144.5)
Exchange movements	(5.8)	17.8
Issue of ordinary share capital	38.1	7.8
Other non-cash movements	18.0	0.1
Adjusted closing net debt	**(397.9)**	**(971.9)**

9. Reconciliation of profit to net cash inflow from operating activities

	Year to 31 December 2005 £m	Year to 31 December 2004 £m
Profit before tax and finance costs	436.0	417.7
Depreciation	124.7	124.9
Amortisation of intangible assets	8.1	6.8
Costs of share based payments	6.2	2.0
Movement on derivatives	(22.2)	-
Other items	(4.2)	1.3
Operating cashflows before movements in working capital	548.6	552.7
Decrease/(increase) in assets classified as held for sale	0.6	(0.1)
Decrease/(increase) in inventories	0.7	(0.3)
Increase in receivables	(13.5)	(13.6)
Increase in payables	26.6	17.9
Decrease in provisions	(5.3)	(3.3)
Share of results from associates	(4.3)	(3.7)
Cash generated by operations	553.4	549.6
Income taxes paid	(64.4)	(54.6)
Interest paid	(68.7)	(87.2)
Net cash inflow from operating activities	420.3	407.8

Cash and cash equivalents in the balance sheet comprise:

	Year to 31 December 2005 £m	Year to 31 December 2004 £m
Continuing		
Cash at bank and in hand	25.9	73.3
Short-term deposits and current asset investments	900.4	404.9
Deposits with maturity greater than three months	0.3	5.1
	926.6	483.3
Discontinued		
Cash at bank and in hand	47.4	-
Short-term deposits and current asset investments	18.3	-
Deposits with maturity greater than three months	2.3	-
	68.0	-
	994.6	483.3

Cash and cash equivalents in the cashflow statement comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less and overdrafts:

	Year to 31 December 2005 £m	Year to 31 December 2004 £m
Continuing		
Cash at bank and in hand	25.9	25.1
Short-term deposits and current asset investments	900.4	383.5
	926.3	408.6
Discontinued		
Cash at bank and in hand	47.4	48.2
Short-term deposits and current asset investments	18.3	21.4
Bank overdrafts	(16.2)	(18.7)
	49.5	50.9
	975.8	459.5