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United Kingdom

Mr. P. Godsall
Accounting Standards Board
5th Floor
Aldwych House
71-91 Aldwych
LONDON WC2B 4HN

Dear Sir,

This letter sets out our comments on the consultation paper 'The Future of UK GAAP'.

Who we are

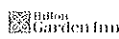
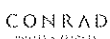
We are a large multi national organisation that has an ultimate parent in the United States. We have some 900 subsidiaries Worldwide with 180 of those being UK registered companies. Current legislation allows us to produce stand alone company accounts for each of these 180 entities, which are prepared in accordance with the requirements of UK GAAP.

No consolidated financial statements are required under UK GAAP and the individual entity accounts benefit from exemptions such as cash flows statements not being required and limited related party disclosures. Despite this we still incur very significant costs both internal and external in order to comply with the existing requirements. We currently don't prepare any accounts under the FRSSE despite the fact that many of our companies could qualify as small. This is so that we can standardise both the accounting and disclosures as much as possible across all companies.

Major points

We support convergence. As a multi national much time is spent identifying the different accounting treatments needed to account for a single transaction under one GAAP for its local requirements and another GAAP for group reporting purposes. In addition the number of differing local GAAP's requires individuals preparing the accounts at a consolidation level to understand a lot of differing treatments. A whole layer of consolidation adjustments is required to convert local GAAP books into the reporting GAAP at a consolidated level.

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In principle we welcome the implementation of the IFRS for SME's. A smaller simplified single set of standards with one point of reference would be easier to use. However, one of the benefits of convergence to multi national companies, is consistency of accounting treatments and hence the non alignment with full IFRS in some areas is a cause for concern and would significantly limit the benefit to be gained from convergence.

Whilst adopting IFRS for SME's could reduce the number of local GAAP's we work in, it will not remove the need to hold consolidation adjustments to for group reporting purposes, should 'full' IFRS as issued by the IASB ultimately be adopted in the US. As such, for our companies that fall within the definition of SME's we would wish to be able to adopt full IFRS for the purposes of recognition and measurement but benefit from the reduced disclosures available within the IFRS for SME's.

This would enable us to benefit fully from convergence of accounting treatments without incurring prohibitive costs of adopting full IFRS, by applying only those disclosures that would be considered to be targeted and proportionate disclosures for wholly owned subsidiaries that are not deemed to be publicly accountable. We believe that if such an option were available this would be particularly attractive to large groups of companies and would in turn encourage a far larger proportion of companies to adopt IFRS voluntarily. Ultimately this would make transition for US companies such as ours far easier should the US also commit to IFRS.

In addition we don't believe that the disclosures omitted in IFRS for SME's, that we would wish to omit from our financial statements would have added value to the reader, particularly in the case of subsidiary undertakings.

Regardless of whether we could have full IFRS with reduced disclosures we would wish to see confirmation of a UK Company law exemption to the requirement in IFRS for SME's that requires consolidations for parent entities. In our case this would require us to prepare a number of consolidated sets of accounts which we don't believe would add value to our stakeholders, but would significantly increase our costs.

Responses to specific questions

We have only responded to those questions which we consider have an impact on our organisation.

Q1: Which definition of Public Accountability do you prefer: the Board's proposal or the legal definitions?

We prefer the Board's definition of public accountability. This definition does however require some level of clarification as it is not always clear which companies would and which would not be deemed as publically accountable. For example, 'a deposit taking entity' could vary from a bank whose core activity is this to any organisation that takes a small non refundable deposit when a service is booked. Perhaps the definition could be extended to include a reference to core activity or materiality of deposits in the balance sheet. We would welcome the Board's clarification on this and as soon as possible so that informed decisions can be made on which option is the correct one for us.

Q2: Do you agree that all entities that are publically accountable should be included in Tier 1?

Should the definition be clarified to confirm that it is only those whose principal activity falls within the definition then we agree that all those entities that are publically accountable should be included in tier 1. If however many small deposit taking entities are caught up within this rule then there should perhaps be exceptions be permitted to allow tier 2 to be applied for subsidiaries in cases where a parent company has applied tier 1.

Q3: Do you agree with the Boards proposals that wholly owned subsidiaries that are themselves publically accountable should apply EU adopted IFRS.

As before, wholly owned subsidiaries whose principal activity is not publically accountable, should not be required to apply full EU adopted IFRS. We agree with the boards proposals where the principal activity is publically accountable.

Q4: Do you consider that wholly owned subsidiaries that are publically accountable should be allowed reduced disclosures.

We do not believe that reduced disclosures should be available for wholly owned subsidiaries when they are genuinely publically accountable.

We do feel that more consideration needs to be given to treatment of wholly owned subsidiaries generally. Reduced disclosures should be permitted in the case where they opt up from tier 2 to tier 1. Should reporting in this style be available we would likely see far more companies move to reporting subsidiary accounts under IFRS, to benefit from the efficiencies of reporting under full IFRS, as currently many choose only to report the listed company on this basis with all others reported under local GAAP.

Q5: Do you agree with the Boards proposal that IFRS for SME's should be used for Tier 2 entities?

Yes, we believe that this should be used instead of UK GAAP so long as there is an option to move to tier 1

Q6: Do you agree with the Board's proposal that the IFRS for SME's should be adopted wholesale and not amended?

Yes. Any UK specific alterations prevent us receiving the full benefit of convergence. We would however welcome clarification on application of s400 and s401 of the Companies Act 2006 (consolidation exemption) when adopting IFRS for SME's as we do not see what benefit will be gained from preparing intermediate consolidations for local reporting purposes.

Q7: Do you agree with the Board's proposal that large Non-Publicly Accountable entities should be permitted to adopt the IFRS for SME's? or do you agree that large entities should be required to use EU adopted IFRS.

We believe that large non publically accountable entities should not be required to adopt full IFRS especially in the case of wholly owned subsidiaries.

Q15: If you are an entity whose basis of preparing financial statements will change under these proposals, what are the likely effects of applying those requirements? Please indicate both benefits and costs and other effect as appropriate.

If there were no amendments to this proposal to allow full IFRS with reduced disclosures then we would incur significant costs regardless of whether we opted up to tier 1 or chose to implement tier 2.

For tier 1 there would be significant costs surrounding collections of the additional information required to be disclosed. In turn this would require audit which would increase our audit fees. We believe that these costs would prohibit this option.

For tier 2 the current requirements indicate that we would require additional consolidations which would add significant preparation and audit costs. The compulsory cashflow and related party disclosures would also add a lesser level of costs. This option would benefit from substantially reduced financial instruments disclosures but would require us to retain a layer of consolidation adjustments.

There will be a significant one off cost to change regardless of which option is selected however the real benefits of any change come to us if we can apply full IFRS for all our recognition and measurement. This not only saves a lot of internal time spent clarifying multiple accounting treatments for the same transaction but also prevents the need to layer on adjusting entries for reporting under differing GAAP's. If we can apply a single accounting treatment to a transaction this should help to minimise our audit costs as a transaction can be reviewed once in one GAAP rather than in two or three differing GAAP's. As such our preferred option, not currently available, would be that of applying full IFRS with reduced disclosures. Without this option there are limited benefits to cover the costs of transition.

Q16: What are your views on the proposed adoption dates?

We believe that the proposed dates are possible to work to provided we have a definitive, fully defined proposition within 6 months and that both full IFRS and IFRS for SME's are stable platforms to work to over the periods 2011 and 2012.

We trust that you will give our comments due consideration.

If you have any questions or require clarification on any of the issues raised in our response please contact Ellen Breeze, Director of Financial Compliance, on ellen.breeze@hilton.com

Yours faithfully,

A handwritten signature in black ink, appearing to read 'EBreeze', with a small 'pp' to the left.

Lizzie Rabin
Vice President – International Corporate Accounting