

SIX CONTINENTS HOTELS AND HOLIDAYS LIMITED

Report and Financial Statements

30 September 2002



Six Continents Hotels and Holidays Limited

Registered No. 368815

DIRECTORS

L D Ritson (resigned 11 January 2002)

R L Jackman

S I Rees

SECRETARY

A Williams

AUDITORS

Ernst & Young LLP

Becket House

1 Lambeth Palace Road

London SE1 7EU

BANKERS

Lloyds Bank plc

P O Box 72

Bailey Drive

Gillingham Business Park

Kent ME8 0LS

REGISTERED OFFICE

20 North Audley St

London W1K 6WN

Six Continents Hotels and Holidays Limited

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 30 September 2002.

RESULTS AND DIVIDENDS

The company has not traded during the year. The profit for the year, after taxation, amounted to £254,277 (2001 – £150,360,739). The directors do not recommend a dividend (2001 – £150,000,000).

A dividend of £nil (2001 – £150,000,000) has been received from the company's subsidiary, Six Continents Hotels (UK) Limited. Interest of £363,253 (2001 – £515,341) has been received on the loan to the parent undertaking.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company is that of a parent undertaking to a group of subsidiaries operating hotels in the United Kingdom. No change is anticipated in the activity of the company.

During the year, the company purchased 6,750,000 £1.00 ordinary shares in Pendigo Hotels Limited at a cost of £6,750,000.

DIRECTORS AND THEIR INTERESTS

The directors during the year ended 30 September 2002 were as listed on page 1.

The following directors held options to purchase ordinary shares of Six Continents PLC (the ultimate parent undertaking) at 30 September 2002.

Name of director	Ordinary shares under option			At 30 September 2002	Option price	Earliest exercise date
	At 30 September 2001	Exercised in year	Granted in 2002			
R L Jackman	8,300	-	-	8,300	746.00p	February 99
	7,800	-	-	7,800	851.50p	February 00
	6,700	-	-	6,700	1,014.50p	March 01
	1,300	-	-	1,300	798.00p	February 02
	16,600	-	-	16,600	597.00p	February 03
	13,800	-	-	13,800	723.00p	March 04
	-	-	17,300	17,300	742.50p	May 05

R L Jackman also held 1,392 shares in the form of American Depository Receipts.

No other director had any interest in the shares of Six Continents PLC or any other group undertaking.

No changes took place in the interests of directors in the company's shares between 30 September 2002 and the date of signature of these financial statements.

AUDITORS

Ernst & Young LLP continue as auditors in accordance with an Elective Resolution of the company pursuant to section 386 of the Companies Act 1985.

On behalf of the Board

 14/11/02
Director

Six Continents Hotels and Holidays Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIX CONTINENTS HOTELS AND HOLIDAYS LIMITED

We have audited the company's financial statements for the year ended 30 September 2002, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 September 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

14 Nov. 2002

Six Continents Hotels and Holidays Limited

PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2002

	<i>Notes</i>	<i>2002</i> £	<i>2001</i> £
OPERATING PROFIT			
Interest received	5	363,253	515,341
Dividend received from subsidiary undertaking		-	150,000,000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>363,253</u>	<u>150,515,341</u>
Tax on profit on ordinary activities	6	(108,976)	(154,602)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>254,277</u>	<u>150,360,739</u>
Equity dividend – paid	7,13	-	(150,000,000)
RETAINED PROFIT FOR THE YEAR		<u><u>254,277</u></u>	<u><u>360,739</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The current year's activities have been derived wholly from continuing operations.

There were no other recognised gains or losses in either the current or preceding year other than the profit for the current year and preceding year.

Six Continents Hotels and Holidays Limited

BALANCE SHEET at 30 September 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Shares in group companies – subsidiary undertakings	8	25,989,000	19,239,000
CURRENT ASSETS			
Debtors – amounts falling due within one year	9	3,221,066	9,607,813
– amounts falling due after more than one year	9	16,167,191	16,282,793
		19,388,257	25,890,606
CREDITORS: amounts falling due within one year	10	(78,976)	(85,602)
NET CURRENT ASSETS		19,309,281	25,805,004
TOTAL ASSETS LESS CURRENT LIABILITIES		45,298,281	45,044,044
CREDITORS: amounts falling due after more than one year	11	(100)	(100)
		45,298,181	45,043,904
CAPITAL AND RESERVES			
Called up share capital	12	24,328,944	24,328,944
Revaluation reserve	13	19,238,900	19,238,900
Profit and loss account	13	1,730,337	1,476,060
		45,298,181	45,043,904
Shareholders' funds:			
Equity		33,133,709	32,879,432
Non-equity		12,164,472	12,164,472
		45,298,181	45,043,904



14/11/02

Director

Six Continents Hotels and Holidays Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 September 2002

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified to include the revaluation of certain tangible fixed asset investments.

Investments

Fixed asset investments are stated at cost or valuation less any provision for impairment.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

The taxation liabilities of certain group undertakings are reduced wholly or in part by the surrender of losses by fellow group undertakings. The tax benefits arising from group relief are recognised in the financial statements of both the surrendering and recipient companies, being paid at a rate of 30% of the losses surrendered.

2. OPERATING PROFIT

Auditors' remuneration has been borne by a fellow group undertaking in the current and preceding year.

3. DIRECTORS' REMUNERATION

No remuneration was paid to the directors of the company (2001 – £nil).

4. STAFF COSTS

The company did not employ any persons during the year (2001 – £nil).

5. INTEREST RECEIVED

	2002	2001
	£	£
Interest received from ultimate parent undertaking	363,253	515,341

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the period

	2002	2001
	£000	£000
Current tax:		
UK corporation tax	108,976	154,602

UK tax has been calculated on taxable profit of 30% (2001 – 30%).

Six Continents Hotels and Holidays Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 September 2002

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting current tax charge for the period

	2002 £000	2001 £000
Profit before tax	363,253	515,341
	%	%
UK corporation tax standard rate	30.0	30.0
Effective current tax rate on ordinary activities	30.0	30.0

7. EQUITY DIVIDENDS PAID

	2002 £	2001 £
Final paid £nil per ordinary share (2001 – £12.33)	-	150,000,000

8. FIXED ASSET INVESTMENTS

	Shares in subsidiaries £
Cost (or valuation):	
At 30 September 2001	19,455,945
Additions in year	6,750,000
Cost at 30 September 2002	26,205,945
Provisions for impairment:	
At 30 September 2001 and 30 September 2002	216,945
Net book value:	
At 30 September 2002	25,989,000
At 30 September 2001	19,239,000

The additions in the year relate to 6,750,000 £1.00 ordinary shares in Pendigo Hotels Limited.

The investment in Six Continents Hotels (UK) Limited was valued by the directors at 31 March 1978 on the basis of the current market value.

Six Continents Hotels and Holidays Limited

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2002

8. FIXED ASSET INVESTMENTS (continued)

Group financial statements have not been prepared because the company is a wholly owned subsidiary of a company incorporated in Great Britain. In the opinion of the directors the value of the subsidiaries as at least equal to the amount shown above and the principal subsidiaries included therein are:

<i>Company</i>	<i>Country of incorporation</i>	<i>Main activity</i>	<i>Proportion of held shares Ordinary shares</i>
Six Continents Hotels (UK) Limited	England	Hotel operator	100%
Holiday Inns Garden Court Limited	England	Non-trading	99%
Pendigo Hotels Limited	England	Hotel operator	100%

Comparable amounts under the historical cost convention would be:

At 30 September 2001	£100
At 30 September 2002	£6,750,100

9. DEBTORS

	<i>2002</i>	<i>2001</i>
	<i>£</i>	<i>£</i>
Amounts falling due within one year:		
Loan to ultimate parent undertaking	3,221,066	9,607,813
Amounts falling due after more than one year:		
Amounts owed by subsidiary undertaking	16,167,191	16,282,793
	<u>19,388,257</u>	<u>25,890,606</u>

10. CREDITORS: amounts falling due within one year

	<i>2002</i>	<i>2001</i>
	<i>£</i>	<i>£</i>
Corporation tax	78,976	85,602
	<u>78,976</u>	<u>85,602</u>

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

	<i>2002</i>	<i>2001</i>
	<i>£</i>	<i>£</i>
Amounts owed to subsidiary undertaking	100	100
	<u>100</u>	<u>100</u>

Six Continents Hotels and Holidays Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 September 2002

12. SHARE CAPITAL

	2002 £	2001 £
Authorised:		
125,000,000 5% non-cumulative preference shares of 10p each	12,500,000	12,500,000
125,000,000 ordinary shares of 10p each	12,500,000	12,500,000
	<u>25,000,000</u>	<u>25,000,000</u>
Authorised, allotted, called up and fully paid:		
121,644,721 5% non-cumulative preference shares of 10p each	12,164,472	12,164,472
121,644,721 ordinary shares of 10p each	12,164,472	12,164,472
	<u>24,328,944</u>	<u>24,328,944</u>

Preference shares right

The holders of preference shares rights are entitled to a fixed non-cumulative preferential dividend at the rate shown and, on winding up of the company, to priority over the ordinary shareholders as regards payment of capital together with all arrears of fixed non-cumulative preferential dividend, whether declared or earned or not.

The holders of preference shares are not entitled to receive notice of, or to attend or vote at, any general meeting.

The preference shareholders have agreed to waive their rights to all dividend issues.

13. RESERVES

	Revaluation reserve £	Profit and loss account £	Total £
At 30 September 2001	19,238,900	1,476,060	20,714,960
Retained profit for the year	-	254,277	254,277
At 30 September 2002	<u>19,238,900</u>	<u>1,730,337</u>	<u>20,969,237</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the year	254,277	150,360,739
Dividends	-	(150,000,000)
	<u>254,277</u>	<u>360,739</u>
Opening shareholders' funds	45,043,904	44,683,165
Closing shareholders' funds	<u>45,298,181</u>	<u>45,043,904</u>

Six Continents Hotels and Holidays Limited

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2002

15. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption permitted by Financial Reporting Standard 8 not to disclose transactions with other group companies.

16. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and controlling party is Six Continents PLC, a company incorporated in Great Britain and registered in England and Wales.

The largest and smallest group in which the results of Six Continents Hotels and Holidays Limited and subsidiary undertakings are consolidated is that headed by Six Continents PLC.

The consolidated financial statements of Six Continents PLC are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF4 3UZ.