

SC Investments Number 3 Limited

Financial Statements 30 September 2002
together with directors' report and independent auditors' report

Registered number: 3266789



Directors' report

For the year ended 30 September 2002

The directors submit their annual report on the affairs of the Company, together with the financial statements and independent auditors' report, for the year ended 30 September 2002.

Principal activity and business review

The Company's principal activity continues to be that of an investment company.

The profit for the year before taxation amounted to £8,261,000 (2001: £874,000). Taxation charged against the profit for the year was £278,000 (2001: £262,000), leaving a profit after taxation of £7,983,000 (2001: £612,000) to be transferred to reserves.

No dividend is proposed (2001: £nil).

Directors and their interests

The following are the names of the directors who, at any time during the period, were directors of the Company:

I A M Muir (resigned 12 July 2002)
A E Stern
M J N Bridge

The directors and their families had the following interests in the ordinary shares of Six Continents PLC at 30 September 2002:

Name of Director	Ordinary shares ⁽¹⁾	
	2002	2001
M J N Bridge	8,773	7,997
A E Stern	33,437	29,317
	<u>42,210</u>	<u>37,314</u>

⁽¹⁾ Includes ordinary shares held by Trustees under the Six Continents Employee Profit Share Scheme

Directors' report (continued)

For the year ended 30 September 2002

Directors' Options

Name of Director	30 Sept 2002	Granted during period	Exercised	30 Sept 2001	Weighted Average Option Price	Option price
M J N Bridge		19,400*				742.5p
		1,583**				600p
A	29,619				815p	
B	55,283				682p	
	<u>84,902</u>	<u>20,983</u>	<u>-</u>	<u>63,919</u>	<u>728p</u>	
A E Stern						
A	44,889				668p	
B	50,819				656p	
	<u>95,708</u>	<u>-</u>	<u>-</u>	<u>95,708</u>	<u>662p</u>	

Options are held under the Six Continents Executive Share Option Scheme and the Six Continents Employee Savings Share Scheme. Option grants marked * above was made under the Six Continents Executive Share Option Scheme and may be exercisable between 2005 and 2012. The grant marked ** was made under the Six Continents Employee Savings Share Scheme and is exercisable between 1 October 2005 and 31 March 2006.

Shares under option at the end of the period are designated as:

A where the options are exercisable

B where the options are not yet exercisable

Contracts and arrangements

No director was materially interested in any contract of significance to the Company's business.

Fixed assets

Information relating to fixed asset investments is given in note 4.

Directors' report (continued)

For the year ended 30 September 2002

Auditors

Ernst & Young LLP continue as auditors under the terms of an Elective Resolution of the Company passed pursuant to Section 386 of the Companies Act 1985 dispensing with the requirement to appoint auditors annually.

20 North Audley Street
London
W1K 6WN

By order of the Board,



Secretary

Date 23/5/03

Statement of Directors' Responsibilities

in relation to the financial statements

The following statement, which should be read in conjunction with the Independent Auditors' Report set out on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period.

Following discussions with the auditors, the directors consider that, in preparing the financial statements on pages 6 to 10 inclusive, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed. The financial statements have been prepared on a going concern basis as the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditors' Report

to the members of SC Investments Number 3 Limited

We have audited the Company's financial statements for the year ended 30 September 2002 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 11. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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
Birmingham

Date *23rd May 2003*

Profit and Loss Account
For the year ended 30 September 2002

	Notes	2002 £000	2001 £000
Investment income – continuing activities	1	8,261	874
Profit on ordinary activities before taxation		<u>8,261</u>	<u>874</u>
Tax on profit on ordinary activities	2	(278)	(262)
Retained for reinvestment in the business	7	<u>7,983</u>	<u>612</u>
Dividends		-	-
Retained profit for the year		<u>7,983</u>	<u>612</u>

There are no unrecognised gains/losses during the period. All the activities in 2002 are continuing activities.

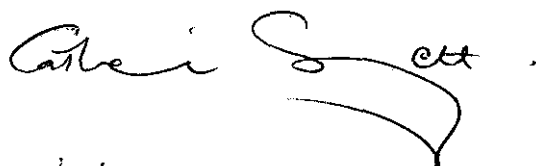
Notes on pages 8 to 10 form an integral part of these financial statements.

Balance sheet
30 September 2002

	Notes	2002 £000	2001 £000
Fixed assets			
Investments	4	159,837	159,837
Debtors	5	31,761	16,164
Creditors: Amounts falling due within one year	6	(8,059)	(445)
Net current assets		<u>23,702</u>	<u>15,719</u>
Net assets		<u>183,539</u>	<u>175,556</u>
 Capital and reserves – equity interests			
Share capital	8	50,000	50,000
Share premium account	7	100,000	100,000
Profit and loss account	7	33,539	25,556
Shareholders' funds		<u>183,539</u>	<u>175,556</u>

Signed on behalf of the Board

Director



Date

23/5/03

Notes on pages 8 to 10 form an integral part of these financial statements.

Accounting policies

Principal accounting policies, as applied consistently throughout the period are:

Basis of accounting

The financial statements are prepared under the historical cost convention and are drawn up to comply with applicable accounting standards, including Financial Reporting Standard (FRS) 19 'Deferred Tax' which applies for the first time this year. Group financial statements have not been prepared because the company is a wholly owned subsidiary undertaking of another UK company.

FRS 19 'Deferred Tax' requires full provision, subject to certain exceptions, for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and for tax purposes. Previously, Statement of Standard Accounting Practice (SSAP) 15 'Accounting for deferred tax' required recognition of deferred tax assets and liabilities to the extent it was probable timing differences would reverse in the foreseeable future. The effect on the profit and loss account and balance sheet this year is £nil. No prior year adjustment is required. FRS 19 has no impact on cash flows.

Deferred taxation

Deferred tax assets and liabilities are recognised, subject to certain exceptions, in respect of all material timing differences between the recognition of gains and losses in the financial statements and for tax purposes. Those timing differences recognised include accelerated capital allowances, unrelieved tax losses and short term timing differences. Timing differences not recognised include those relating to the revaluation of fixed assets in the absence of a commitment to sell the assets, the gain on sale of assets rolled into replacement assets and the distribution of profits from overseas subsidiaries in the absence of any commitment by the subsidiary to make the distribution.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Fixed asset investments

Fixed asset investments are stated at cost less any provision for permanent diminution in value.

Notes to the financial statements

For the year ended 30 September 2002

1 Investment income	2002 £000	2001 £000
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Interest receivable from ultimate parent undertaking	925	874
Dividend receivable from subsidiary undertaking	7,336	-
	<u>8,261</u>	<u>874</u>

2 Tax on ordinary activities	2002 £000	2001 £000
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Tax charge is made up as follows:

UK corporation tax @ 30% (2001 : 30%)	278	262
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Tax reconciliation	%	%
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UK corporation tax standard rate	30.0	30.0
Non-taxable dividends from UK companies	(26.6)	-

Effective current tax rate	<u>3.4</u>	<u>30.0</u>
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3 Directors' Remuneration and Auditors' Remuneration

The directors received no remuneration in respect of their services to the Company.
Auditors' remuneration is borne by the ultimate parent Company.

4 Fixed asset investments	Shares in Group undertakings £000
At 1 October 2001	159,837
Movements during the year	-
At 30 September 2002	<u>159,837</u>

Group accounts have not been prepared because the Company is a wholly owned subsidiary undertaking of Six Continents PLC, incorporated in Great Britain and registered in England and Wales. In the opinion of the directors the value of the subsidiary undertaking is at least equal to the amount shown above.

The principal subsidiary undertaking is Southwick Limited, a company incorporated and registered in the Cayman Islands, and whose principal activity is that of an investment company.

5 Debtors	2002 £000	2001 £000
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Amounts receivable from ultimate parent undertaking	24,425	16,164
Amounts receivable from other group undertaking	7,336	-
	<u>31,761</u>	<u>16,164</u>

Notes to the financial statements (continued)

For the year ended 30 September 2002

6	Creditors: amounts falling due within one year	2002 £000	2001 £000
	Amounts payable to ultimate parent undertaking	7,781	-
	UK corporation tax payable	278	445
		<u>8,059</u>	<u>445</u>

7	Reconciliation of movement in shareholders' funds	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
	At 1 October 2001	50,000	100,000	25,556	175,556
	Retained profit for the year	-	-	7,983	7,983
	At 30 September 2002	<u>50,000</u>	<u>100,000</u>	<u>33,539</u>	<u>183,539</u>

8	Called-up share capital	2002 £000	2001 £000
	<i>Authorised</i>		
	70,000,000 ordinary shares of £1 each	70,000	70,000
	<i>Allotted, called up and fully paid</i>		
	50,000,100 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

9 Cash flow statement

No cash flow statement is given as the Company is a wholly owned UK subsidiary undertaking of Six Continents PLC which has provided a consolidated cash flow statement under Financial Reporting Standard 1 (revised) for the year ended 30 September 2002.

10 Ultimate parent undertaking

The Company is a subsidiary undertaking of Six Continents PLC, incorporated in Great Britain and registered in England and Wales.

Prior to 15 April 2003, the largest group in which the results of SC Investments Number 3 Limited were consolidated was that headed by Six Continents PLC, incorporated in Great Britain. On 15 April 2003, Six Continents PLC separated into two new groups, of which InterContinental Hotels Group PLC is now the ultimate parent undertaking. The consolidated financial statements of Six Continents PLC are available to the public and may be obtained from InterContinental Hotels Group PLC, 20 North Audley Street, London W1K 6WN.

11 Related party transactions

Other than the transactions with other members of the Six Continents Group that are exempt from disclosure under FRS8, there are no related party transactions that require disclosure.