

SC FINANCE INVESTMENTS TWO COMPANY

Report and Financial Statements

31 December 2004



SC Finance Investments Two Company

Registered No. 3871050

DIRECTORS

A S McEwan
N P Stocks
C Springett
R T Winter
C P Garwood

SECRETARY

C Cox

AUDITORS

Ernst & Young LLP
No.1 Colmore Square
Birmingham B4 6HQ

BANKERS

Lloyds TSB Bank plc
PO Box 72
Bailey Drive
Gillingham Business Park
Kent ME8 0LS

REGISTERED OFFICE

67 Alma Road
Windsor
Berkshire SL4 3HD

SC Finance Investments Two Company

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company is to act as an investment company.

It is the intention of the directors that the Company will continue operating in this capacity. The directors view the results as satisfactory as are future prospects of the Company.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 31 December 2004 was £1,241,000 (period ended 31 December 2003 - £1,138,000).

The directors do not propose a dividend for the year (period ended 31 December 2003 - £nil).

FUTURE DEVELOPMENTS

The directors plan to continue with the Company's core business for the foreseeable future.

DIRECTORS' INTERESTS

The directors at 31 December 2004 and during the year were as follows:

A S McEwan
N P Stocks
C Springett
R T Winter
C P Garwood

None of the directors had a direct interest in the issued share capital of the Company. With the exception of the directors detailed below, no other director had any interest in the share capital of the ultimate parent undertaking or any other group undertaking.

Please refer to Note 12 for information on the ultimate parent undertaking.

	<i>At 1.01.04 InterContinental Hotels Group PLC Ordinary Shares of £1*</i>	<i>At 31.12.04 InterContinental Hotels Group PLC Ordinary shares of 112 pence</i>
A S McEwan	3,869	3,454
N P Stocks	582	519
C Springett	620	552
R T Winter	8,244	8,035

* These share interests were in InterContinental Hotels Group PLC ("IHG PLC") prior to the Share Consolidation in December 2004. For every 28 IHG PLC ordinary shares of £1 each held on 10 December 2004, shareholders received 25 IHG PLC ordinary shares of 112 pence each and a Special Dividend of 72 pence per £1 ordinary share held.

SC Finance Investments Two Company

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTINUED)

The following directors held share options to subscribe for ordinary shares in IHG PLC under the IHG PLC Executive and Savings-Related Share Option schemes.

Executive Share Option plan

	<i>Options held at 1.01.04</i>	<i>Granted during year</i>	<i>Lapsed during the year</i>	<i>Exercised during the year</i>	<i>Options held at 31.12.04</i>	<i>Option prices</i>	<i>Earliest exercisable date</i>
A S McEwan	8,549	-	-	-	8,549	497.96p	Exercisable
	7,181	-	-	-	7,181	593.29p	Exercisable
	11,114	-	-	-	11,114	466.68p	Exercisable
	32,488	-	-	-	32,488	349.13p	Exercisable
	27,188	-	-	-	27,188	422.81p	Exercisable
	37,276	-	-	-	37,276	434.22p	Exercisable
	67,315	-	-	-	67,315	438.00p	May 2006
	-	62,520	-	-	62,520	494.17p	April 2007
N P Stocks	9,233	-	-	9,233	-	466.68p	
	35,053	-	-	35,053	-	349.13p	
	18,125	-	-	18,125	-	422.81p	
	18,467	-	-	-	18,467	434.22p	Exercisable
	50,228	-	-	-	50,228	438.00p	May 2006
	-	48,560	-	-	48,560	494.17p	April 2007
C Springett	21,689	-	-	-	21,689	438.00p	May 2006
	-	19,800	-	-	19,800	494.17p	April 2007
R T Winter	52,666	-	-	52,666	-	295.33p	
	4,787	-	-	4,787	-	474.86p	
	3,590	-	-	3,590	-	497.96p	
	31,634	-	-	-	31,634	593.29p	Exercisable
	11,798	-	-	-	11,798	466.68p	Exercisable
	62,584	-	-	-	62,584	349.13p	Exercisable
	66,516	-	-	-	66,516	422.81p	Exercisable
	121,406	-	-	-	121,406	308.48p	Exercisable
	181,506	-	-	-	181,506	438.00p	May 2006
	-	172,130	-	-	172,130	494.17p	April 2007
C P Garwood	14,191	-	-	14,191	-	466.68p	
	22,229	-	-	22,229	-	422.81p	
	22,913	-	-	-	22,913	434.22p	Exercisable
	23,972	-	-	-	23,972	438.00p	Exercisable
	-	22,310	-	-	22,310	494.17p	April 2007

SC Finance Investments Two Company

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTINUED)

IHG PLC Sharesave Plan

	<i>Options held at 1.01.04</i>	<i>Granted during the year</i>	<i>Exercised during the year</i>	<i>Options held at 31.12.04</i>	<i>Option Prices</i>	<i>Earliest exercisable date</i>
R T Winter	3,769	-	-	3,769	420.50p	March 2009
C P Garwood	2,193	-	-	2,193	420.50p	March 2007

Six Continents Employee Profit Share Scheme

This was a scheme whereby the Parent Company's board allocated a percentage of profits before tax to the Profit Share Scheme. These profits were used to purchase ordinary shares, which were then divided among participants in proportion to their earnings. The shares were then held in trust on behalf of participants for a period of three years.

The IHG PLC shares held by the Profit Share Trust were subject to a Share Consolidation in December 2004. For every 28 IHG PLC ordinary shares of £1 each held on 10 December 2004, the Trust received 25 IHG PLC ordinary shares of 112 pence each.

Entitlements to directors of the Company under the Profit Share Scheme during the year were as follows:

	<i>Award Date</i>	<i>Ordinary shares of £1 held in trust at 1.01.04</i>	<i>Ordinary shares of £1 released during the year</i>	<i>Ordinary shares of £1 held at 10.12.04*</i>	<i>Ordinary shares of 112 pence held on 31.12.04</i>	<i>Appropriation price</i>	<i>Release date</i>
R T Winter	26.02.01	895	895	-	-	372.00p	26.02.04
	27.02.02	927	-	927	827	539.75p	27.02.05
C P Garwood	26.02.01	470	470	-	-	372.00p	26.02.04
	27.02.02	518	-	518	462	539.75p	27.02.05

* These share awards were in IHG PLC prior to the Share Consolidation in December 2004. For every 28 IHG PLC ordinary shares of £1 each held on 10 December 2004, shareholders received 25 IHG PLC ordinary shares of 112 pence each and a Special Dividend of 72 pence per £1 ordinary share held.

SC Finance Investments Two Company

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTINUED)

Performance Restricted Share Plan (PRSP)

During the year, share awards made in respect of the Performance Restricted Share Plan were as follows:

	<i>Maximum entitlement to awards held over IHG PLC Ordinary shares at 1.01.04</i>	<i>Awarded during the year</i>	<i>Released during the year</i>	<i>Maximum entitlement to awards held over IHG PLC Ordinary shares at 31.12.04</i>
A S McEwan	82,810	42,170	-	124,980
N P Stocks	61,780	32,750	-	94,530
R T Winter	208,420	108,360	-	316,780

A full description of the Performance Restricted Share Plan can be found in the InterContinental Hotels Group PLC's Annual Report and Financial Statements.

Short Term Deferred Incentive Plan (STDIP)

There were no releases under the Short Term Deferred Incentive Plan during the year.

ELECTIVE RESOLUTIONS

The Company has passed Elective Resolutions to dispense with the laying of the Accounts before the Company in General Meeting, the appointment of auditors annually and the holding of Annual General Meetings, pursuant to sections 252, 386 and 366A of the Companies Act.

AUDITORS

Ernst & Young LLP will continue as the auditors in accordance with an Elective Resolution of the Company passed pursuant to Section 386 of the Companies Act 1985.

By order of the Board



Secretary

4 August 2005
July 2005

SC Finance Investments Two Company

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 year. 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 SC FINANCE INVESTMENTS TWO COMPANY

We have audited the Company's financial statements for the year ended 31 December 2004 which comprise the Profit and loss account, Balance sheet, Statement of total recognised gains and losses and related notes 1 to 12. 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 the 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 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Birmingham

Date: 12 Aug 2005

SC Finance Investments Two Company

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

		<i>Year ended 31 December 2004</i>	<i>15 months ended 31 December 2003</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Interest receivable	5	1,773	1,626
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,773	1,626
Tax on profit on ordinary activities	6	(532)	(488)
RETAINED PROFIT FOR THE FINANCIAL YEAR		1,241	1,138

All activities relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the profit attributable to the shareholders of the Company of £1,241,000 for the year ended 31 December 2004 (period ended 31 December 2003 – £1,138,000).

SC Finance Investments Two Company

BALANCE SHEET

As at 31 December 2004

		31 December 2004	31 December 2003
	Notes	£000	£000
CURRENT ASSETS			
Debtors	7	37,670	35,901
CREDITORS: amounts falling due within one year	8	(1,382)	(854)
NET CURRENT ASSETS		36,288	35,047
TOTAL ASSETS LESS CURRENT LIABILITIES		36,288	35,047
CAPITAL AND RESERVES			
Called up share capital	9	30,896	30,896
Profit and loss account	10	5,392	4,151
EQUITY SHAREHOLDERS' FUNDS	10	36,288	35,047

Approved by the board on
and signed on its behalf by



Director
4 AUGUST 2005
July 2005

SC Finance Investments Two Company

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2004

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention. They have been drawn up to comply with applicable accounting standards.

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.

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.

Statement of cash flows

Under the provisions of Financial Reporting Standard 1 (Revised), the Company has not prepared a statement of cash flows because its ultimate parent undertaking, InterContinental Hotels Group PLC, which is incorporated within the European Union, has prepared consolidated financial statements which include the financial statements of the Company for the year and which contain an appropriate statement of cash flows of the Company.

2. OPERATING EXPENSES

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

3. DIRECTORS' EMOLUMENTS

The directors received no remuneration in respect of their services to the Company (period ended 31 December 2003 - £nil).

4. STAFF COSTS

The Company did not employ any persons during the year (period ended 31 December 2003 - nil).

SC Finance Investments Two Company

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2004

5. INTEREST RECEIVABLE

	Year ended 31 December 2004 £000	15 months ended 31 December 2003 £000
Interest receivable from group undertakings	1,773	1,622
External interest receivable	-	4
	<u>1,773</u>	<u>1,626</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2004 £000	15 months ended 31 December 2003 £000
<i>(a) Analysis of tax charge for the year</i>		
UK corporation tax at 30 % (31 December 2003 – 30%)		
Total current tax	532	488

The effective current rate of tax on ordinary activities is equal to the UK statutory rate of 30% (period ended 31 December 2003 - 30%).

(b) Deferred taxation

As at 31 December 2004 and 31 December 2003 no deferred tax provision was required nor did the company have any unprovided deferred tax.

7. DEBTORS

	31 December 2004 £000	31 December 2003 £000
Amount owed by other group undertakings	37,670	35,901

SC Finance Investments Two Company

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2004

8. CREDITORS: amounts falling due with one year

	31 December 2004	31 December 2003
	£000	£000
Amounts owed to other group undertakings	960	366
Corporation tax	422	488
	<u>1,382</u>	<u>854</u>

9. SHARE CAPITAL

	31 December 2004	31 December 2003
	£000	£000
Authorised:		
50,000,000 ordinary shares of £1 each	50,000	50,000
Allotted, called up and fully paid:		
30,895,792 ordinary shares of £1 each	30,896	30,896

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £000	Profit and loss account £000	Total Shareholders' Funds £000
At 30 September 2002	30,896	3,013	33,909
Profit for the period	-	1,138	1,138
At 31 December 2003	30,896	4,151	35,047
Profit for the year	-	1,241	1,241
At 31 December 2004	30,896	5,392	36,288

11. RELATED PARTY TRANSACTIONS

As the Company was a wholly owned subsidiary of InterContinental Hotels Group PLC at 31 December 2004, the Company has taken advantage of the exemption contained in Financial Reporting Standard No 8 and has therefore not disclosed transactions or balances with entities which form part of the Group, headed by InterContinental Hotels Group PLC.

SC Finance Investments Two Company

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2004

12. PARENT UNDERTAKING AND CONTROLLING PARTY

InterContinental Hotels Group PLC, a company incorporated in Great Britain and registered in England and Wales is the ultimate parent undertaking and controlling party of SC Finance Investments Two Company.

The largest and smallest group in which the results of the Company are consolidated is that headed by InterContinental Hotels Group PLC, a company registered in England and Wales.

Consolidated financial statements of InterContinental Hotels Group PLC are available from the following address:

67 Alma Road, Windsor, Berkshire SL4 3HD

The immediate parent company is, BHR Luxembourg SARL, a company incorporated and registered in Luxembourg.