

SC FINANCE INVESTMENTS TWO COMPANY

Report and Financial Statements

31 December 2003



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
One Colmore Row
Birmingham B3 2DB

BANKERS

Lloyds 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 15 month period ended 31 December 2003.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company is to act as an investment company. The Company is unlimited. The directors view the results as satisfactory as are future prospects of the Company.

CHANGE OF ACCOUNTING REFERENCE DATE

On 24 July 2003 the Company changed its accounting reference date to 31 December.

RESULTS AND DIVIDENDS

The profit after taxation for the period ended 31 December 2003 was £1,138,000 (year ended 30 September 2002 – £960,000).

The directors do not recommend the payment of a dividend (year ended 30 September 2002 – £nil).

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 2003 and during the period were as follows:

RT Winter	(appointed 16 April 2003)
AS McEwan	(appointed 16 April 2003)
NP Stocks	(appointed 16 April 2003)
C Springett	(appointed 16 April 2003)
CP Garwood	
N Henfrey	(resigned 16 April 2003)
MJN Bridge	(resigned 16 April 2003)
CD Vaughan	(resigned 16 April 2003)

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 InterContinental Hotels Group PLC ("IHG PLC") or any other group undertaking. Please refer to Note 12 for information on the ultimate parent undertaking.

	<i>At 01.10.02 or date of appointment (if later)</i>	<i>At 31.12.03</i>
	<i>InterContinental Hotels Group PLC Ordinary shares of £1</i>	<i>InterContinental Hotels Group PLC Ordinary shares £1</i>
AS McEwan	-	3,869
C Springett	309	620
NP Stocks	-	582
RT Winter	5,561	8,244
CP Garwood	1,798*	-

* These share interests were in Six Continents PLC prior to the Separation in April 2003. For every 59 Six Continents PLC shares held on 11 April 2003, shareholders received 50 IHG PLC shares and 50 Mitchells & Butlers plc shares plus 81p in cash per Six Continents PLC share.

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DIRECTORS' REPORT

The following directors held share options under the InterContinental Hotels Group PLC Executive and Savings-Related Share Option schemes.

Executive Share Option Schemes

	<i>Six Continents Options held at 01.10.02 or at date of appointment (if later)</i>	<i>Equivalent value IHG Options rolled over following Separation or at date of appointment (if later)*</i>	<i>Granted during period</i>	<i>Lapsed during the period</i>	<i>Exercised during the period</i>	<i>Options held at 31.12.03</i>	<i>Option prices</i>	<i>Earliest exercisable date</i>
RT Winter	30,800	52,666	-	-	-	52,666	295.33p	Exercisable
	2,800	4,787	-	-	-	4,787	474.86p	Exercisable
	2,100	3,590	-	-	-	3,590	497.96p	Exercisable
	18,500	31,634	-	-	-	31,634	593.29p	Exercisable
	6,900	11,798	-	-	-	11,798	466.68p	Exercisable
	36,600	62,584	-	-	-	62,584	349.13p	Exercisable
	38,900	66,516	-	-	-	66,516	422.81p	Exercisable
	71,000	121,406	-	-	-	121,406	434.22p	Exercisable
	-	-	181,506	-	-	181,506	438.00p	May 2006
NP Stocks	5,400	9,233	-	-	-	9,233	466.68p	Exercisable
	20,500	35,053	-	-	-	35,053	349.13p	Exercisable
	10,600	18,125	-	-	-	18,125	422.81p	Exercisable
	10,800	18,467	-	-	-	18,467	434.22p	Exercisable
	-	-	50,228	-	-	50,228	438.00p	May 2006
AS McEwan	5,000	8,549	-	-	-	8,549	497.96p	Exercisable
	4,200	7,181	-	-	-	7,181	593.29p	Exercisable
	6,500	11,114	-	-	-	11,114	466.68p	Exercisable
	19,000	32,488	-	-	-	32,488	349.13p	Exercisable
	15,900	27,188	-	-	-	27,188	422.81p	Exercisable
	21,800	37,276	-	-	-	37,276	434.22p	Exercisable
	-	-	67,315	-	-	67,315	438.00p	May 2006
C Springett	-	-	21,689	-	-	21,689	438.00p	May 2006
CP Garwood	25,500	43,603	-	-	43,603	-	349.13p	-
	8,300	14,191	-	-	-	14,191	466.68p	Exercisable
	13,000	22,229	-	-	-	22,229	422.81p	Exercisable
	13,400	22,913	-	-	-	22,913	434.22p	Exercisable
	-	-	23,972	-	-	23,972	438.00p	May 2006

* The number and exercise prices of options over IHG PLC shares exchanged for former options over Six Continents PLC shares were calculated in accordance with a formula based on the closing Six Continents PLC and opening IHG PLC share prices, both averaged over a five day period. All outstanding rolled over options were immediately exercisable and the latest date that any rolled over options may be exercised is October 2012.

SC Finance Investments Two Company

DIRECTORS' REPORT

Movements in options granted under the Six Continents Sharesave Option schemes which were exercised over Six Continents Ordinary shares were as follows:

	<i>Six Continents Options held at 01.10.02 or at date of appointment (if later)</i>	<i>Lapsed during the period</i>	<i>Exercised during the period*</i>	<i>Exercise date</i>	<i>Options held at 31.12.03</i>	<i>Option prices</i>	<i>Earliest exercisable date</i>
RT Winter	2,821	1,251	1,570	03.09.03	-	598.00p	-
NP Stocks	809	-	809	10.10.03	-	598.00p	-
	527	527	-	-	-	734.00p	-
CP Garwood	1,036	-	1,036	01.10.03	-	598.00p	-
	475	475	-	01.04.03	-	734.00p	-
	570	374	196	01.10.03	-	600.00p	-

* On exercise, employees were given the opportunity to exchange their Six Continents PLC shares for IHG PLC shares. The number of shares and the price of the IHG PLC shares were calculated in accordance with a formula based on the closing Six Continents PLC and opening IHG PLC share prices, both averaged over a five-day period. The above table represents entitlement to IHG PLC shares which lapsed on 11 October 2003 under the former Six Continents Sharesave Schemes, due to early termination of individual sharesave contracts, as a consequence of the Separation.

IHG PLC sharesave plan

Options under the IHG PLC sharesave plan are as follows;

	<i>IHG PLC Options held at 01.10.02 or date of appointment (if later)</i>	<i>Granted during the period</i>	<i>Exercised during the period</i>	<i>Options held at 31.12.03</i>	<i>Option prices</i>	<i>Earliest exercisable date</i>
RT Winter	-	3,769	-	3,769	420.50p	March 2009
CP Garwood	-	2,193	-	2,193	420.50p	March 2009

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.

Following Separation, Six Continents PLC shares held by the Profit Share Trust were exchanged for IHG PLC and Mitchells & Butlers plc shares. For every 59 Six Continents PLC shares held on 11 April 2003, shareholders received 50 InterContinental Hotels Group PLC shares and 50 Mitchells & Butlers plc shares plus 81p in cash per Six Continents PLC share.

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DIRECTORS' REPORT

Entitlements to directors of the Company under the Profit Share Scheme during the period are as follows;

	<i>Award Date</i>	<i>Six Continents PLC Ordinary shares of 28p each held at 01.10.02 or date of appointment (if later)</i>	<i>Equivalent value IHG PLC Ordinary shares of £1 each on Separation</i>	<i>Ordinary shares held at 3.12.03</i>	<i>Appropriation prices</i>	<i>Release date</i>
RT Winter	26.02.01	1,056	895	895	372.00p	26.02.04
	27.02.02	1,094	927	927	372.00p	27.02.05
CP Garwood	21.02.00	613	n/a	-	626.00p	21.02.03
	26.02.01	555	470	470	372.00p	26.02.04
	26.02.02	612	518	518	372.00p	27.02.05

The shares in respect of the award dated 21 February 2000 were released to CP Garwood on 21 February 2003.

Performance Restricted Share Plan (PRSP)

During the period, share awards made in respect of the Performance Restricted Share Plan cycles ending on 31 December 2004 and 31 December 2005 and the maximum pre-tax ordinary shares due if performance targets achieved in full were as follows:

	<i>Maximum entitlement to awards held over IHG PLC ordinary shares of £1 at 01.10.02 (or date of appointment if later)</i>	<i>Awarded during the period IHG PLC Ordinary shares*</i>	<i>Exercised during the period IHG PLC Ordinary shares</i>	<i>Maximum potential entitlement to awards at 31.12.03 IHG PLC Ordinary shares</i>
RT Winter	-	208,420*	-	208,420*
NP Stocks	-	61,780*	-	61,780*
AS McEwan	-	66,240*	-	66,240*

*A full description of the Performance Restricted Share Plan can be found on pages 20, 21, 25 and 26 of InterContinental Hotels Group PLC's Annual Report and Financial Statements 2003.

Short Term Deferred Incentive Plan

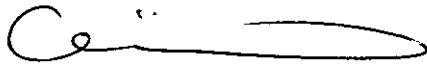
Under the Short Term Deferred Incentive Plan 6,567 IHG PLC Ordinary shares of £1 were released to AS McEwan on 13 December 2003.

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.

DIRECTORS' REPORT

By order of the Board

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a horizontal line that ends in a small loop.

Secretary

28 June 2004

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 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;
- 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 period ended 31 December 2003 which comprise the Profit and loss account, Balance sheet 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 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham

28 June 2004

SC Finance Investments Two Company

PROFIT AND LOSS ACCOUNT

For the period ended 31 December 2003

		<i>15 months ended 31 December 2003</i>	<i>Year ended 30 September 2002</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Interest receivable	5	1,626	1,371
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,626</u>	<u>1,371</u>
Tax on profit on ordinary activities	6	(488)	(411)
RETAINED PROFIT FOR FINANCIAL PERIOD		<u>1,138</u>	<u>960</u>

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 £1,138,000 for the period ended 31 December 2003 (year ended 30 September 2002 – profit £960,000).


SC Finance Investments Two Company

BALANCE SHEET

As at 31 December 2003

		31 December 2003	30 September 2002
	Notes	£000	£000
CURRENT ASSETS			
Debtors	7	35,901	34,275
CREDITORS: amounts falling due within one year	8	(854)	(366)
NET ASSETS		<u>35,047</u>	<u>33,909</u>
CAPITAL AND RESERVES			
Called up share capital	9	30,896	30,896
Profit and loss account	10	4,151	3,013
EQUITY SHAREHOLDERS' FUNDS	10	<u>35,047</u>	<u>33,909</u>

Approved by the board on
and signed on its behalf by


Director
28 June 2004

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost. 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 and preceding year.

3. DIRECTORS' EMOLUMENTS

The directors received no remuneration in respect of their services to the Company.

4. STAFF COSTS

The Company did not employ any persons during the period (year ended 30 September 2002 – nil).

SC Finance Investments Two Company

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

5. INTEREST RECEIVABLE

	<i>15 months ended 31 December 2003 £000</i>	<i>Year ended 30 September 2002 £000</i>
Interest receivable from parent undertaking	1,622	1,371
External interest receivable	4	-
	<u>1,626</u>	<u>1,371</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>15 months ended 31 December 2003 £000</i>	<i>Year ended 30 September 2002 £000</i>
<i>(a) Analysis of tax charge for the period</i>		
UK corporation tax at 30 % (30 September 2002 – 30%)		
Total current tax	488	411

The effective current rate of tax on ordinary activities is equal to the UK statutory rate of 30% (year ended 30 September 2002 - 30%).

(b) Deferred taxation

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

7. DEBTORS

	<i>31 December 2003 £000</i>	<i>30 September 2002 £000</i>
Amount owed by other group undertakings	35,901	34,275

SC Finance Investments Two Company

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

8. CREDITORS: amounts falling due with one year

	31 December 2003	30 September 2002
	£000	£000
Amounts owed to other group undertakings	366	65
Corporation tax	488	301
	<u>854</u>	<u>366</u>

9. SHARE CAPITAL

	31 December 2003	30 September 2002
	£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	<u>30,896</u>	<u>30,896</u>

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £000	Profit and loss account £000	Total Shareholders' Funds £000
At 30 September 2001	30,896	2,053	32,949
Profit for the year	-	960	960
At 30 September 2002	<u>30,896</u>	<u>3,013</u>	<u>33,909</u>
Profit for period	-	1,138	1,138
At 31 December 2003	<u>30,896</u>	<u>4,151</u>	<u>35,047</u>

11. RELATED PARTY TRANSACTIONS

As the Company was a wholly owned subsidiary of InterContinental Hotels Group PLC at 31 December 2003, 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.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

12. PARENT UNDERTAKING AND CONTROLLING PARTY

Prior to 15 April 2003, the largest group in which the results of the Company were consolidated was that headed by Six Continents PLC. On 15 April 2003, Six Continents PLC separated into two new groups, InterContinental Hotels Group PLC and Mitchells & Butlers plc. 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 group in which the results of the Company are consolidated is that headed by InterContinental Hotels Group PLC. The smallest group in which the results of the Company are consolidated is that headed by Six Continents PLC, a company registered in England and Wales.

Consolidated financial statements of InterContinental Hotels Group PLC and Six Continents 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.