

SCIH BRANSTON 2

Report and Financial Statements

31 December 2003



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COMPANIES HOUSE

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SCIH Branston 2

Registered No. 4508364

DIRECTORS

AS McEwan
C Springett
NP Stocks
RT Winter

SECRETARY

C Cox

AUDITORS

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

BANKERS

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

REGISTERED OFFICE

67 Alma Road
Windsor
Berkshire SL4 3HD

DIRECTORS' REPORT

The directors present their report and financial statements for the 73 week period from incorporation to 31 December 2003.

INCORPORATION DATE

The Company was incorporated on 9 August 2002.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company is that of a financing company to group companies. The Company is unlimited. The directors view the results as satisfactory, as are the future prospects of the Company.

At incorporation the company issued 2 £1 ordinary shares at par. On 20 August 2002 the company issued 10,000 £1 ordinary shares at a premium of £73,834 per share.

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 £24,336,000.

During the period the Company paid an interim dividend of £5,000,000. The directors do not recommend the payment of a final dividend.

DIRECTORS AND THEIR INTERESTS

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

MJN Bridge	(appointed 9 August 2002 and resigned 16 April 2003)
N Henfrey	(appointed 9 August 2002 and resigned 16 April 2003)
AS McEwan	(appointed 16 April 2003)
C Springett	(appointed 16 April 2003)
NP Stocks	(appointed 16 April 2003)
CD Vaughan	(appointed 4 February 2003 and resigned 16 April 2003)
RT Winter	(appointed 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 13 for information on the ultimate parent undertaking.

	<i>At incorporation 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

DIRECTORS' REPORT

The following directors held share options under the IHG PLC Executive and Savings-Related Share Option schemes:

Executive Share Option Schemes

	<i>Six Continents Options held at incorporation 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

* 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.

DIRECTORS' REPORT

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

	<i>Six Continents Options held at incorporation 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	-

* 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 incorporation 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

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 IHG PLC shares and 50 Mitchells & Butlers plc shares plus 81p in cash per Six Continents PLC share.

DIRECTORS' REPORT

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

	<i>Award Date</i>	<i>Six Continents PLC Ordinary shares of 28p each held in Trust at incorporation 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 31.12.03</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

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 incorporation (or date of appointment if later)</i>	<i>Awarded during the period IHG PLC Ordinary shares*</i>	<i>Released during the period Ordinary shares</i>	<i>Maximum potential entitlement to awards at 31.12.03 Ordinary shares*</i>
RT Winter	-	208,420	-	208,420
NP Stocks	-	61,780	-	61,780
AS McEwan	-	82,810	-	82,810

*A full description of the Performance Restricted Share Plan can be found on pages 20, 21, 25 and 26 of IHG 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.


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 continue as auditors in accordance with an Elective Resolution of the Company pursuant to section 386 of the Companies Act 1985.

By order of the Board


Director
Date: 10.9.04

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 SCIH BRANSTON 2

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 13. 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

Date: *13 September 2004*

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PROFIT AND LOSS ACCOUNT

For the period ended 31 December 2003

		<i>73 weeks ended 31 December 2003</i>
	<i>Notes</i>	<i>£000</i>
Interest receivable	5	34,692
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>34,692</u>
Tax on profit on ordinary activities	6	(10,408)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>24,284</u>
Dividend	7	(5,000)
RETAINED PROFIT FOR FINANCIAL PERIOD		<u><u>19,284</u></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 £24,284,000 for the period ended 31 December 2003.

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BALANCE SHEET

As at 31 December 2003

		31 December 2003 £000
	Notes	
CURRENT ASSETS		
Debtors	8	34,619
		<u>34,619</u>
CREDITORS: amounts falling due within one year	9	(10,408)
		<u>24,211</u>
NET ASSETS		<u>24,211</u>
CAPITAL AND RESERVES		
Called up share capital	10	10
Share premium	11	4,917
Profit and loss account	11	19,284
		<u>24,211</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u>24,211</u>

Signed on behalf of the Board

Director

Date: 10.9.2004



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 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 FRS 1 "Cash Flow Statements" (Revised 1996), 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 Group.

2. AUDITORS' REMUNERATION

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

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.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

5. INTEREST RECEIVABLE

73 weeks
ended
31 December
2003
£000

Interest receivable from other group undertakings 34,692

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

73 weeks
ended
31 December
2003
£000

(a) Analysis of tax charge for the period

UK corporation tax at 30 %

Total current tax 10,408

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

(b) Deferred taxation

At 31 December 2003 there was no provided or unprovided deferred tax.

7. DIVIDENDS

73 weeks
ended
31 December
2003
£000

Equity dividends paid 5,000

8. DEBTORS

31 December
2003
£000

Amount owed by other group undertakings 34,619

34,619

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NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2003

9. CREDITORS: amounts falling due within one year

	<i>31 December</i> <i>2003</i> <i>£000</i>
Corporation tax	9,019
Amounts owed to other group undertakings	1,389
	<u>10,408</u>

10. SHARE CAPITAL

	<i>31 December</i> <i>2003</i> <i>£000</i>
Authorised: 250,000 ordinary shares of £1 each	250
Allotted, called up and fully paid: 10,002 ordinary shares of £1 each	<u>10</u>

At incorporation the company issued 2 £1 ordinary shares at par. On 20 August 2002 the company issued 10,000 £1 ordinary shares at a premium of £73,834 per share.

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total shareholders' funds £000</i>
Shares issued in period	10	738,344	-	738,354
Cancellation and repayment of share premium	-	(733,427)	-	(733,427)
Profit for the period	-	-	24,284	24,284
Dividend paid during period	-	-	(5,000)	(5,000)
At 31 December 2003	<u>10</u>	<u>4,917</u>	<u>19,284</u>	<u>24,211</u>

A special resolution was passed on 24 June 2003 to cancel and repay to shareholders the share premium of £733,427,000.

12. 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 FRS 8 "Related Party Disclosures" 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

13. 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 SCIH Branston 2.

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 to the public and maybe obtained from Companies House, Crown Way, Cardiff CF4 3UZ.

The immediate parent company is SC Investments (Hotels) BV, a company registered in The Netherlands.