

904360

INTER-CONTINENTAL HOTELS (OVERSEAS) LIMITED

Report and Financial Statements

30 September 2002



Inter-Continental Hotels (Overseas) Limited

Registered No. 904360

DIRECTORS

G W Cowie
F J Croston
C D Glanville

SECRETARY

C D Glanville
A Williams

AUDITORS

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

BANKERS

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

REGISTERED OFFICE

20 North Audley Street
London W1K 6WN

Inter-Continental Hotels (Overseas) Limited

DIRECTORS' REPORT

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

RESULTS AND DIVIDENDS

The profit for the year after taxation was £17,194,000 (2001 – profit of £28,186,000).

The directors do not propose a dividend for the year (2001 – £nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is that of a parent undertaking. The directors expect the company to continue with this activity.

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 the ordinary shares of Six Continents PLC (the ultimate parent undertaking) at 30 September 2002.

Name of director	Fully paid ordinary shares		Ordinary shares under option					
	2001	2002	At 30 September 2001	Granted in the year	Exercised in the year	At 30 September 2002	Option price	Earliest exercise date
G M Cowie	–	–	10,700	–	–	10,700	798.00p	25/02/02
	–	–	32,900	–	–	32,900	597.00p	10/02/03
	–	–	15,900	–	–	15,900	723.00p	01/03/04
	–	–	–	15,200	–	15,200	742.50p	28/05/05
F J Croston	–	–	41,800	–	–	41,800	597.00p	10/02/03
	–	–	21,400	–	–	21,400	723.00p	01/03/04
	–	–	–	29,400	–	29,400	742.50p	28/05/05
C D Glanville	2,000	2,000	–	–	–	–	–	–

The fully paid ordinary shares are held in the form of American Depositary Receipts.

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

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



Secretary

03/03/03

Inter-Continental Hotels (Overseas) 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;
- 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 INTER-CONTINENTAL HOTELS (OVERSEAS) 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, Statement of Total Recognised Gains and Losses, and the related notes 1 to 17. 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.

This report has been prepared for the members of the company pursuant to Section 235 of the Companies Act 1985 (the "Act") and for no other purpose.

No person is entitled to rely on this report unless such person:

- i) is a person who is entitled to rely on this report by virtue of and for the purposes of the Act; or
- ii) has been expressly authorised to do so by our prior written consent

Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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.

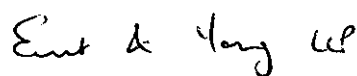
Basis of audit opinion

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 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
London

3/3/03

Inter-Continental Hotels (Overseas) Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 September 2002

	<i>Notes</i>	<i>2002 £000</i>	<i>2001 £000</i>
OPERATING LOSS	2	(2)	(16)
Profit on sale of investment		—	12,819
		(2)	12,803
Interest receivable	5	32,982	33,111
Interest payable and similar charges	6	(8,427)	(11,142)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		24,553	34,772
Tax on profit on ordinary activities	7	(7,359)	(6,586)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		17,194	28,186
RETAINED PROFIT FOR THE FINANCIAL YEAR		17,194	28,186

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>2002 £000</i>	<i>2001 £000</i>
Profit for the financial year	17,194	28,186
Total recognised gains for the year	17,194	28,186
Prior year adjustment on adoption of FRS 19	(88,856)	—
Total recognised gains since previous year end	(71,662)	—

Inter-Continental Hotels (Overseas) Limited

BALANCE SHEET at 30 September 2002

		2002	2001
	Notes	£000	restated* £000
FIXED ASSETS			
Investments	8	423,503	423,503
CURRENT ASSETS			
Debtors	9	27,086	25,907
		27,086	25,907
CREDITORS: amounts falling due within one year	10	(35,634)	(29,231)
NET CURRENT LIABILITIES		(8,548)	(3,324)
TOTAL ASSETS LESS CURRENT LIABILITIES		414,955	420,179
CREDITORS: amounts falling due after more than one year	11	(137,367)	(159,785)
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	12	(88,856)	(88,856)
		188,732	171,538
CAPITAL AND RESERVES			
Called up share capital	13	—	—
Share premium account	14	162,163	162,163
Profit and loss account	14	26,569	9,375
EQUITY SHAREHOLDERS' FUNDS	14	188,732	171,538

* Restated on the adoption of FRS 19



Director

03/03/03

Inter-Continental Hotels (Overseas) Limited

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2002

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention and are in accordance with applicable accounting standards and the Companies Act 1985. They have been drawn up to comply with applicable accounting standards, including Financial Reporting Standard (FRS) 19 'Deferred tax' which applies for the first time this year.

FRS 19 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. This change in accounting policy has been accounted for as a prior year adjustment and previously reported figures have been restated accordingly. The effect on the profit and loss account has been to increase the tax charge by £nil (2001 £nil) and the balance sheet effect is to increase deferred tax provisions by £88,856k (2001 £88,856k). In applying FRS 19, deferred tax provisions have not been calculated on a discounted basis. FRS 19 has no impact on cash flows.

The financial statements present information about the Company as an individual undertaking and not as a group. The Company is exempt from preparing consolidated financial statements under S228 Companies Act 1985.

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 provision of FRS 1 (revised), the Company is exempt from preparing a statement of cash flows as it is a wholly owned subsidiary of an EC parent company, which publishes consolidated financial statements including a consolidated statement of cash flows.

Investments

Fixed asset investments in each subsidiary undertaking are valued at cost less any provision for impairment.

Inter-Continental Hotels (Overseas) Limited

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2002

2. OPERATING LOSS

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 during the year (2001 – £nil).

4. STAFF COSTS

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

5. INTEREST RECEIVABLE

	2002 £000	2001 £000
Interest on loans to group undertakings	32,982	33,111

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £000	2001 £000
Interest on loan from group undertakings	8,427	11,142

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the period

	2002 £000	2001 £000
<i>Current tax:</i>		
UK corporation tax	7,359	6,586
	<u>7,359</u>	<u>6,586</u>

(b) Factors affecting current tax charge for the period

	2002 £000	2001 £000
Profit before tax	24,553	34,772
	%	%
UK corporation tax standard rate	30.0	30.0
Permanent differences	–	(11.1)
Effective current tax rate on ordinary activities	<u>30.0</u>	<u>18.9</u>

Inter-Continental Hotels (Overseas) Limited

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2002

8. FIXED ASSET INVESTMENTS

	2002 £000	2001 £000
Shares in subsidiary undertakings	2	2
Amounts due from group undertakings	423,501	423,501
Total net book value of investment	423,503	423,503

Amounts due from group undertakings comprise five debenture notes totalling £423,501,000 (2001 – £423,501,000) from BHR Overseas (Europe) B.V. Interest is fixed at 7.53% (2001 – 7.53%) as at 30 September 2002.

The movement during the year was as follows:

	2002 £000	2001 £000
Cost:		
At beginning of the year	423,503	445,073
Disposals – shares in group undertaking	–	(21,570)
At end of the year	423,503	423,503
Provision for impairment:		
At beginning of the year	–	(18,868)
Disposals	–	18,868
At end of the year	–	–
Net book value		
At 30 September 2001 and 30 September 2002	423,503	423,503

Principal group investments

At 30 September 2002, the company's subsidiary companies were:

	Country of registration	Principal activity	Percentage of ordinary shares held
"The Londoner" (Hotel) Limited	England and Wales	Holding company (non- trading)	100%

The directors are of the opinion that the aggregate value of the company's investment is not less than the amount at which it is stated in the financial statements.

Inter-Continental Hotels (Overseas) Limited

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2002

9. DEBTORS

	2002	2001
	£000	£000
Amounts owed by group undertakings	27,086	25,907

10. CREDITORS: amounts falling due within one year

	2002	2001
	£000	£000
Bank overdraft	14,469	14,803
Amounts owed to group undertakings	2,326	3,121
Corporation tax payable	18,838	11,307
	35,634	29,231

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

	2002	2001
	£000	£000
Amounts falling due between two and five years:		
– amounts owed to group undertakings	38,867	159,785
Amounts due after more than five years:		
– amounts owed to group undertakings	98,500	–
	137,367	159,785

Amounts owed to group undertakings comprise two loans from IHC May Fair (Holdings) Limited.

- (a) £38,867,249 issued on 22 April 1996, which matures on 15 December 2004. Interest is payable on the loan at the rate per annum equal to LIBOR plus 2%.

Interest is payable semi-annually. The loan balance at 30 September 2002 was £38,867,249 (30 September 2001 – £38,867,249) and the financial statements include accrued interest payable of £743,610.

- (b) £55,506,999 issued on 21 October 1997, which matures on 15 December 2006. Interest is payable on the loan at the rate per annum equal to LIBOR plus 0.975% until 15 December 2002 when the interest rate will increase to LIBOR plus 2%.

Interest is payable semi-annually. Interest that is not paid is added to the principal and is repayable at maturity. The loan balance at 30 September 2002 was £98,500,000 (30 September 2001 – £120,917,715) and the financial statements include accrued interest payable of £1,583,001.

Inter-Continental Hotels (Overseas) Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 September 2002

12. DEFERRED TAXATION

	2002 £000	2001 £000
At 30 September 2001 as previously reported	—	—
Prior year adjustment on adoption of FRS 19	88,856	88,856
At 30 September 2001 as restated	88,856	88,856
Profit and loss account	—	—
At 30 September 2002	88,856	88,856
Analysed as tax on timing differences related to:		
Gains	88,856	88,856
	88,856	88,856

Tax losses with a value of £84,499k have not been recognised as their use is uncertain.

13. SHARE CAPITAL

	2002 £	2001 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
3 ordinary shares of £1 each	3	3

Inter-Continental Hotels (Overseas) Limited

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2002

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 October 2000	—	162,163	70,045	232,208
Prior year adjustment on adoption of FRS 19	—	—	(88,856)	(88,856)
Profit for the year	—	—	28,186	28,186
At 30 September 2001	—	162,163	9,375	171,538
Profit for the year	—	—	17,194	17,194
At 30 September 2002	—	162,163	26,569	188,732

15. GUARANTEES AND COMMITMENTS

The company has entered into a composite guarantee with Lloyds TSB Bank Plc to guarantee amounts due on overdrafts of other companies in the group headed by Six Continents PLC to the extent of any credit balance of the company held by Lloyds TSB Bank Plc.

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption allowed in paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions with other group companies or interests of the group who are related parties.

17. ULTIMATE PARENT UNDERTAKING

The directors consider the ultimate parent and controlling undertaking to be Six Continents PLC, a company registered in England.

The financial statements of Six Continents PLC are available from 20 North Audley Steet, London, W1K 6WN.

The immediate parent and controlling party is IHC Overseas (UK) Holdings Limited, a company registered in England.