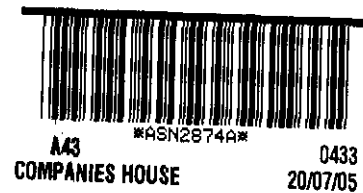


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IHC UK (HOLDINGS) LIMITED

Report and Financial Statements

31 December 2004



# IHC UK (Holdings) Limited

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Registered no: 2322242

## **DIRECTORS**

A S McEwan  
C Springett  
R T Winter

## **SECRETARY**

C Engmann

## **AUDITORS**

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

## **BANKERS**

Lloyds TSB Bank plc  
PO Box 787  
6 - 8 Eastcheap  
London EC3M 1AE

## **REGISTERED OFFICE**

67 Alma Road  
Windsor  
Berkshire SL4 3HD

# IHC UK (Holdings) Limited

## 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 that of a holding 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 loss on ordinary activities after taxation for the year ended 31 December 2004 was £5,585,000 (period ended 31 December 2003 - £2,152,000).

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  
C Springett  
R T Winter  
C D Glanville – resigned 27 February 2004

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 17 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
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.

# IHC UK (Holdings) Limited

## 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
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

#### 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

## DIRECTORS' REPORT

**DIRECTORS' INTERESTS (CONTINUED)*****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 27.02.02	895 927	895 -	- 927	- 827	372.00p 539.75p	26.02.04 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.

***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
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.

DIRECTORS' REPORT

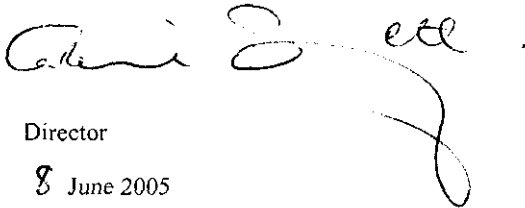
**ELECTIVE RESOLUTIONS**

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

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Director

8 June 2005

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 IHC UK (HOLDINGS) LIMITED**

We have audited the Company's financial statements for the year ended 31 December 2004 which comprise the Profit and loss account, Balance sheet and related notes 1 to 17. 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young UK*

Ernst & Young LLP  
Registered Auditor  
Birmingham

Date: *8 June 2005*



# IHC UK (Holdings) Limited

## 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 and similar income	5	760	4,018
Investment income	6	-	4,000
Interest payable and similar charges	7	(8,740)	(12,806)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(7,980)</b>	<b>(4,788)</b>
Tax on loss on ordinary activities	8	2,395	2,636
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>		<b>(5,585)</b>	<b>(2,152)</b>

All activities relate to continuing operations.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the loss attributable to the shareholders of the Company of £5,585,000 for the year ended 31 December 2004 (Period ended 31 December 2003 – £2,152,000).

# IHC UK (Holdings) Limited

## BALANCE SHEET

As at 31 December 2004

		31 December 2004	31 December 2003
	Notes	£000	£000
<b>FIXED ASSETS</b>			
Investments	9	148,650	148,650
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	10	22,943	20,103
		22,943	20,103
<b>CREDITORS: amounts falling due within one year</b>	11	(138,886)	(111,609)
<b>NET CURRENT LIABILITIES</b>		(115,943)	(91,506)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		32,707	57,144
<b>CREDITORS: amounts falling due after more than one year</b>	12	-	(18,852)
<b>NET ASSETS</b>		32,707	38,292
<b>CAPITAL AND RESERVES</b>			
Share capital	13	26,000	26,000
Share premium account	14	5,908	5,908
Profit and loss account	14	799	6,384
<b>EQUITY SHAREHOLDERS' FUNDS</b>	14	32,707	38,292

Approved by the board on  
and signed on its behalf by



Director

Date: 8 June 2005

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2004

**1. ACCOUNTING POLICIES**

*Accounting convention*

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

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.

*Investments*

Fixed asset investments are stated at cost less any provision for impairment.

*Going concern*

The Company incurred a loss of £5,585,000 in the year ended 31 December 2004 and the Company's current liabilities at that date exceeded its current assets. The Company is dependent, in the absence of other funding, on the continued support of the ultimate parent company, InterContinental Hotels Group PLC. The ultimate parent company has confirmed that it will continue to support the Company. On this basis, the directors consider it appropriate to prepare the accounts on a going concern basis. The accounts do not include any adjustments that might be necessary if InterContinental Hotels Group PLC were not to provide further support.

*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.

*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 Group.

**2. OPERATING EXPENSES**

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

**3. DIRECTORS' EMOLUMENTS**

The directors are directors of other undertakings within the InterContinental Hotels Group. The directors' remuneration for the period was paid by other undertakings. The directors do not believe that it is practical to apportion this amount between their services as directors of the Company and their services as directors of the fellow subsidiary undertakings.

**4. STAFF COSTS**

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

# IHC UK (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2004

### 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>Year ended 31 December 2004 £000</i>	<i>15 months ended 31 December 2003 £000</i>
Interest on loans to group undertakings	760	4,018

### 6. INVESTMENT INCOME

	<i>Year ended 31 December 2004 £000</i>	<i>15 months ended 31 December 2003 £000</i>
Dividends received and receivable from group undertakings	-	4,000

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year ended 31 December 2004 £000</i>	<i>15 months ended 31 December 2003 £000</i>
Interest on loans from group undertakings	8,740	12,806

### 8. TAX ON LOSS ON ORDINARY ACTIVITIES

	<i>Year ended 31 December 2004 £000</i>	<i>15 months ended 31 December 2003 £000</i>
<i>(a) Analysis of tax credit for the year</i>		
UK corporation tax at 30 % (31 December 2003 – 30%)		
Current year	(2,394)	(2,636)
Adjustments in respect of prior years	(1)	-
Total current tax	(2,395)	(2,636)
Tax on loss on ordinary activities	(2,395)	(2,636)

# IHC UK (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2004

### 8. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

(b) Factors affecting current tax charge for the year

	Year ended 31 December 2004 £000	15 months ended 31 December 2003 £000
Loss before tax	(7,980)	(4,788)
	%	%
UK corporation tax standard rate	30.0	30.0
Permanent differences: Dividend received	-	25.1
Effective current tax rate on loss on ordinary activities	30.0	55.1

### 9. FIXED ASSET INVESTMENTS

		31 December 2004	31 December 2003
		£000	£000
Cost of shares in subsidiary undertakings		148,650	148,650
			Percentage of ordinary shares held and voting rights
Direct holdings	Country of registration	Principal activity	
IHC Hotel Limited	England and Wales	Holding company	100%
IHC May Fair (Holdings) Limited	England and Wales	Holding company	100%
IHC London (Holdings) Limited	England and Wales	Holding company	100%
IHC Edinburgh (Holdings) Limited	England and Wales	Holding company	100%
Hotel Forum (Holdings) Limited	England and Wales	Holding company	100%
Indirect holdings			
IHC May Fair Hotel Limited	England and Wales	Holding company	100%
"The Londoner" (Hotel) Limited	England and Wales	Non trading	100%
IHC Overseas (UK) Limited	England and Wales	Holding company	100%
Inter-Continental Hotels (Overseas) Limited	England and Wales	Holding company	100%
London Forum Hotel Limited	England and Wales	Hotelier	100%
Edinburgh George Hotel Limited	Scotland	Hotelier	100%

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

# IHC UK (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2004

### 10. DEBTORS

	<i>31 December</i>	<i>31 December</i>
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Amounts falling due within one year:		
Amounts owed by group undertakings	8,583	-
Loan receivable from group undertaking	11,966	11,205
Corporation tax	2,394	8,898
	<u>22,943</u>	<u>20,103</u>

The loan receivable from group undertaking falling due within one year comprises:

IHC Edinburgh (Holdings) Limited of £8,918,452, issued on 28 October 1996, which, following the signature of a supplemental letter, matures on 15 December 2005. Interest is receivable on the loan at a rate per annum equal to LIBOR plus 2%.

Interest is receivable from IHC Edinburgh (Holdings) Limited bi-annually. Interest not received is added to the principal and is repayable at maturity. The loan balance at 31 December 2004 is £11,927,315 (31 December 2003 - £11,173,155) and the financial statements include an accrual for interest receivable of £38,313 (31 December 2003 - £32,147).

### 11. CREDITORS: Amounts falling due within one year

	<i>31 December</i>	<i>31 December</i>
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Bank overdraft	2,754	3,070
Loan payable to group undertakings	136,132	108,539
	<u>138,886</u>	<u>111,609</u>

The loan payable to group undertakings falling due within one year comprises:

- (a) A loan from IHC Hotel Limited for £73,929,956 (£55,929,956 being issued in June 1999, with a further £18,000,000 issued in March 2001). The loan matures on 15 December 2005, following the signature of a supplemental letter. Interest is payable on the loan at the rate per annum equal to LIBOR plus 2%.

Interest is payable to IHC Hotel Limited bi-annually. Interest not paid is added to the principal and is repayable at maturity. The loan balance at 31 December 2004 was £88,335,710 (31 December 2003 - £82,676,475) and the financial statements include accrued interest payable of £287,697 (31 December 2003 - £241,180).

- (b) A loan from Six Continents PLC for £25,497,035 issued on 15 December 2003, which matures on 15 December 2005. Interest is payable on the loan at the rate per annum equal to LIBOR plus 2%.

Interest is payable to Six Continents PLC bi-annually. Interest not paid is added to the principal and is repayable at maturity. The loan balance at 31 December 2004 was £27,217,753 (31 December 2003 - £25,497,035) and the financial statements include accrued interest payable of £81,892 (31 December 2003 - £69,045).

- (c) A loan from InterContinental Hotels (Overseas) Limited, as described in Note 12.

# IHC UK (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2004

### 12. CREDITORS: Amounts falling due after more than one year

	<i>31 December</i>	<i>31 December</i>
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
<i>Amounts falling due between two and five years</i>		
- loan payable to group undertaking	-	18,852
	<u>-</u>	<u>18,852</u>

The loan payable to group undertaking falling due between two and five years comprise:

A loan from Intercontinental Hotels (Overseas) Limited for £14,886,355 issued on 23 June 2000, which, following the signature of a supplemental letter, matures on 15 June 2005. Interest is payable on the loan at the rate per annum equal to LIBOR plus 2%.

Interest is payable to Intercontinental Hotels (Overseas) Limited bi-annually. Interest not paid is added to the principal and is repayable at maturity. The loan balance at 31 December 2004 was £20,142,527 (31 December 2003 - £18,852,094) and the financial statements include accrued interest payable of £65,601 (31 December 2003 - £54,994). At 31 December 2004 the amounts are included within creditors falling due within one year.

### 13. SHARE CAPITAL

	<i>31 December</i>	<i>31 December</i>
	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Authorised:		
100,000,000 ordinary shares of £1 each	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid:		
26,000,000 ordinary shares of £1 each	26,000	26,000
	<u>26,000</u>	<u>26,000</u>

# IHC UK (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2004

### 14. 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>
At 30 September 2002	26,000	5,908	8,536	40,444
Loss for the period	-	-	(2,152)	(2,152)
At 31 December 2003	26,000	5,908	6,384	38,292
Loss for the year	-	-	(5,585)	(5,585)
At 31 December 2004	26,000	5,908	799	32,707

### 15. FINANCIAL COMMITMENTS

#### *Guarantees*

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 InterContinental Hotels Group PLC to the extent of any credit balance of the Company held by Lloyds TSB Bank plc.

### 16. 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.

The directors confirm that there were no related party transactions other than those disclosed in these Financial Statements.

### 17. 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 IHC UK (Holdings) Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by InterContinental Hotels Group PLC. Consolidated financial statements of InterContinental Hotels Group PLC are available to the public and may be obtained from the following address:

Companies House, Crown Way, Cardiff CF4 3UZ.

The immediate parent company is Six Continents PLC, a company registered in England and Wales.